NiSource Corporate Services

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June 16, 2005

BY OVERNIGHT DELIVERY AND E-FILE

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-27

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find Bay State's responses to the following information requests of the Department:

DTE-1-21(Suppl)	DTE-1-22	DTE-1-23	DTE-1-24	DTE-4-10	DTE-4-15
DTE-5-17	DTE-5-19	DTE-5-20	DTE-5-21	DTE-5-22	DTE-5-23
DTE-5-24	DTE-6-18	DTE-6-22	DTE-6-23	DTE-13-1	DTE-13-2
DTE-13-3	DTE-13-11	DTE-13-12	DTE-13-13	DTE-13-14	DTE-13-15
DTE-13-16	DTE-13-17	DTE-13-19	DTE-13-21	DTE-13-23	DTE-13-25
DTE-13-26	DTE-14-2				

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Per Ground Rules Memorandum issued June 13, 2005:

Paul E. Osborne, Assistant Director – Rates and Rev. Requirements Div. (1 copy)
A. John Sullivan, Rates and Rev. Requirements Div. (4 copies)
Andreas Thanos, Assistant Director, Gas Division (1 copy)
Alexander Cochis, Assistant Attorney General (4 copies)
Service List (1 copy)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Stephen H. Bryant, President

SUPPLEMENTAL

DTE 1-21 Refer to Exh. BSG/SHB-1, at 50. Has the $10,095,382 early termination payment associated with the Metscan meter reading devices been made? If so, provide the date or dates on which payment was made. If payment has not yet been made, provide the anticipated date when payment will be tendered?

Supplemental Response:

The $10,095,381.51 as shown in Workpaper JES-8 represented the Company's estimate of the net present value of the remaining financial obligation under the three Fleet Capital (now Bank America) leases that cover Metscan equipment. The Company completed this estimate prior to receiving a response from Bank America to its request for the cost to purchase the leases, and did not include any estimate of net present value for remaining unpaid fair market value of the equipment at the end of the lease term ("Fair Market Value"). Under the provisions of the Master Equipment Lease Agreement, the Lessor, at its sole discretion, estimates the Fair Market Value. The Lessor's estimate of the net present value of both the Fair Market Value and the remaining rent payments was $19,049,716.74.

Attachment DTE-1-21 (a) is a copy of that notice from the Lessor.

Bay State determined that a lower cost alternative was to continue to make payments until it could exercise the Early Purchase Option. The Early Purchase Option results in a net present value of $10,491,191.12, an amount higher than the original estimate by $395,809.61, but significantly lower than the cost to purchase the lease today. The discount rate used to calculate the net present value of the Early Purchase Option is 13.05%, a rate intended to reflect a fair rate of return for the Company.

Attachment DTE-1-21 (b) is the calculation that supports the net present value of $10,491,191.12.

Bank of America

Bank of America
Equipment Management Group
RI1-537-08-01
One Financial Plaza
Providence, RI, 02903

Tel 401.278.8552
Fax 401.278.8866

April 26, 2005

ED FRANZ
BAY STATE GAS COMPANY
FACSIMILE: # 614.460.5508

RE: Lease# 31946-16, 18 & 22/ 4013208

Dear Mr. Ingersoll:

Fleet Capital Corporation ("FCC") will allow the early cancellation of the above referenced Lease Schedules (collectively referred to hereinafter as the "Lease") under the following conditions. All capitalized terms used herein and not defined shall have the meanings assigned or referred to them in the Lease.

Providing no Event of Default (or event which with the passage of time or giving of notice would become such an Event of Default) has occurred and is continuing in connection with the Lease, and Lessee is in full compliance with all other terms of the Lease, FCC agrees to cancel the Lease and transfer all of its right, title and interest in and to the Equipment to Lessee or their designate for the amounts stated below, plus any sales, use, property or excise tax (any and all taxes paid are non-refundable) on or measured by such sale plus any other expenses of transfer.

FCC must receive the following good funds prior to 5:00pm on:

Schedule 16 – April 30, 2005		**Sch 18 – April 30, 2005**		**Sch 22-April 25, 2005**	
Purchase Price	$14,915,469.00	Purchase Price	$3,242,889.68	Purchase Price	$891,358.06
TOTAL	**$14,915,469.00**	**TOTAL**	**$3,242,889.68**	**TOTAL**	**$891,358.06**

The equipment will be sold "AS IS, WHERE IS" without representation or warranty, of any kind, express or implied, and without recourse to FCC, except that the Equipment shall be free and clear of all liens created by FCC. All taxes and fees collected by FCC for others are estimates; if additional monies are due, Lessee agrees that they are responsible for and will pay directly or reimburse FCC.

Any corporate or personal guaranties which relate to the Lease, as well as any and all other obligations which may be outstanding to FCC or its affiliates, shall remain in full force and effect with respect to such other obligations, notwithstanding the cancellation of the Lease pursuant to this letter. In addition, if a security interest in the Equipment has been granted to Lessor as security for any obligations owing to Lessor or its affiliates or assigns, other than the Lease, any such grant of security interest shall remain in full force and effect with respect to such other obligations, notwithstanding the cancellation of the Lease pursuant to this letter.

The Lessee, by paying the above stated amounts, agrees to the terms of this letter and to an early cancellation of the Lease, and releases FCC of any and all of its obligations under the Lease.

Nothing contained in this letter shall be deemed a waiver of any rights and remedies FCC may have under the Lease, other related documents and instruments or applicable law, all of which rights and remedies are expressly reserved.

Should you have any questions regarding title releases, lien releases or bill of sale, please contact our Customer Service Department at 800.238.3737. If you have any questions regarding the equipment and purchase price, please call me at 401.278.8417.

Sincerely,

Andrea L Watson

Andrea L. Watson
Senior Equipment Manager

Calculation of Net Present Value of Future Metscan Lease Payments

	Lease 31946-00018	Lease 31946-00022	Lease 31946-00016	Combined
	13.05%	13.05%	13.05%	
NPV Remainder of Lease	$1,789,146.26	$552,420.32	$8,149,624.54	
Total Lease	$1,789,146.26	$552,420.32	$8,149,624.54	$10,491,191.12
Apr-05	$40,938.60	$11,750.53	$191,098.98	
May-05	$40,938.60	$11,750.53	$191,098.98	
Jun-05	$40,938.60	$11,750.53	$191,098.98	
Jul-05	$40,938.60	$11,750.53	$191,098.98	
Aug-05	$40,938.60	$11,750.53	$191,098.98	
Sep-05	$40,938.60	$11,750.53	$191,098.98	
Oct-05	$40,938.60	$11,750.53	$191,098.98	
Nov-05	$40,938.60	$11,750.53	$191,098.98	
Dec-05	$40,938.60	$11,750.53	$191,098.98	
Jan-06	$40,938.60	$11,750.53	$191,098.98	
Feb-06	$40,938.60	$11,750.53	$191,098.98	
Mar-06	$40,938.60	$11,750.53	$191,098.98	
Apr-06	$40,938.60	$11,750.53	$191,098.98	
May-06	$40,938.60	$11,750.53	$191,098.98	
Jun-06	$40,938.60	$11,750.53	$191,098.98	
Jul-06	$40,938.60	$11,750.53	$191,098.98	
Aug-06	$40,938.60	$11,750.53	$191,098.98	
Sep-06	$40,938.60	$11,750.53	$191,098.98	
Oct-06	$40,938.60	$11,750.53	$191,098.98	
Nov-06	$40,938.60	$11,750.53	$191,098.98	
Dec-06	$40,938.60	$11,750.53	$191,098.98	
Jan-07	$40,938.60	$11,750.53	$191,098.98	
Feb-07	$40,938.60	$11,750.53	$191,098.98	
Mar-07	$40,938.60	$11,750.53	$191,098.98	
Apr-07	$40,938.60	$11,750.53	$191,098.98	
May-07	$40,938.60	$11,750.53	$191,098.98	
Jun-07	$40,938.60	$11,750.53	$191,098.98	
Jul-07	$40,938.60	$11,750.53	$191,098.98	
Aug-07	$40,938.60	$11,750.53	$191,098.98	
Sep-07	$40,938.60	$11,750.53	$191,098.98	
Oct-07	$40,938.60	$11,750.53	$191,098.98	
Nov-07	$40,938.60	$11,750.53	$191,098.98	
Dec-07	$40,938.60	$11,750.53	$4,298,888.71	
Jan-08	$40,938.60	$11,750.53		
Feb-08	$921,050.51	$11,750.53		
Mar-08		$11,750.53		
Apr-08		$11,750.53		
May-08		$11,750.53		
Jun-08		$11,750.53		
Jul-08		$11,750.53		
Aug-08		$11,750.53		
Sep-08		$260,496.02		

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Stephen H. Bryant, President

DTE 1-22 Refer to Exh. BSG/SHB-1, at 50-51. Please provide the meaning of the phrase "retired prematurely" as used in Mr. Bryant's prefiled testimony.

Response: The phrase "retired prematurely" refers to the retirement of the entire class of Metscan meter reading devices (rather than the retirement of individual units) prior to the time when the assets as a class were either fully depreciated or prior to the end of the operating lease that covered the assets.

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D. T. E. 05-27

Date: June 16, 2005

Responsible: Stephen H. Bryant, President

DTE 1-23 Refer to Exh. BSG/SHB-1, at 51. Please provide the meaning of the phrase "extraordinary non-recurring expense" as used in Mr. Bryant's prefiled testimony.

Response: The fact that most of the Metscan meter reading devices that either remained on the Company's books or were covered under an operating lease were taken out of service prior to being fully depreciated or before the term of the operating lease was completed, an "extraordinary", or significant, expense in excess of $13 million was created. The unusual nature of the retirement clearly constitutes a "non-recurring" expense. Consistent with Department precedent, such "extraordinary" expenses that are "non-recurring" can be submitted for consideration for cost recovery as part of a company's base rate submittal.

COMMONWEALTH OF MASSACHUSETTS
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RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Stephen H. Bryant, President

DTE 1-24 Refer to Exh. BSG/SHB-1, at 50-51. Is the Company aware of any cases in which the retirement of either Company-owned depreciable property or depreciable property owned by another Massachusetts utility was treated as an "extraordinary retirement" for accounting and rate making purposes? If so, provide a brief description of the equipment, its retirement, regulatory treatment, and Department case citation.

Response: Although I am not an attorney, I am aware of a number of cases that bring me to the conclusion that the retirement of depreciable property owned by other utilities in Massachusetts was treated as an "extraordinary retirement" for accounting and rate making purposes. In cases where the Department determines that the initial investment was prudently incurred but is no longer used and useful, the Department orders the utility to remove the undepreciated amount of the investment in question from rate base and to amortize it over a reasonable period of time. Under Department precedent, the appropriate recovery of the remaining balance of undepreciated, prudently-incurred plant is without carrying costs or any return, and in the amortization balance. This treatment would permit Bay State to have a return of, <u>but not on</u>, the Metscan balance. This is consistent with the Company's proposal in this proceeding.

For example, in <u>Wylde Wood Water Works</u>, D.P.U. 86-93 (Feb. 27, 1987) a reservoir house was ordered removed shortly after a new door had been installed. The Department reduced the plant in service of the utility by the cost of the door and was treated as an extraordinary early retirement and amortized over a three-year period.

The Department's order in <u>Fitchburg Gas and Elec. Light Co. v. Dep't of Pub. Utils</u>., 359 N.E. 1294 (1977) dealt with the Department's rate treatment of certain facilities related to electric generation that Fitchburg Gas and Electric retired in favor of purchasing power in order to avoid the cost to comply with new environmental pollution regulations. The decision to retire these facilities was deemed to be reasonable and the Department allowed the undepreciated cost to be amortized over ten years.

In <u>New England Tel & Tel. Co.</u>, D.P.U. 86-33-G (Mar. 21, 1999), the Department determined that the cost of certain facilities were prudently incurred originally, but were no longer used and useful. As such, the Department ordered the phone company's rate base to be reduced by the undepreciated balance of the facilities and the cost was recovered over a three-year amortization period. In that Order at p. 42, the Department cited a number of other cases that supported its decision, including: Western Massachusetts Electric Co., D.P.U. 85-270 (1986); Fitchburg Gas and Electric Light Co., D.P.U. 19084 (1977); Fitchburg Gas and Electric Light Co., D.P.U. 18296/18297 (1975); Fitchburg Gas and Electric Light Co., D.P.U. 18031-A (1975); Fitchburg Gas and Electric Light Co., D.P.U. 18031 (1974).

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FOURTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Lawrence R. Kaufmann, Consultant (PBR)

DTE-4-10 Refer to Exh.BSG/LRK-2. Please re-run the econometric cost model considering:
(a) total cost (including capital, labor, and other O&M costs);
(b) pensions in the labor input price;
(c) "the rate freeze" factor;
(d) the period 1993-2004
(e) based on the new results, please update Exh.BSG/LRK-2;
(f) based on the new results, would the Company propose a new consumer dividend? If yes, why? If not, why not?

Response:

(a) – (d), (e) The results of the econometric run that incorporate all the requested revisions in (a)-(d) above are presented in the spreadsheet attached as Attachment DTE-4-10.

(f) I would not propose a new consumer dividend based on these results for two main reasons.

First, these econometric results are markedly inferior to those presented in Exh. BSG/LRK-2. The coefficient on the percent of non-iron and bare steel main is now no longer statistically significant, even though this variable is known to be an actual driver of gas distributors' operation and maintenance and capital replacement costs. The system age proxy is also no longer statistically significant. Moreover, 100% of the regularity conditions were satisfied in the econometric model presented in Exh. BSG/LRK-2 while only 92% of these regularity conditions are satisfied in the specification requested here.

Second, this econometric specification does not respond to the "capital vintaging" concerns that the Department expressed about the econometric cost model presented in D.T.E. 03-40. In that proceeding, the Department rejected very similar econometric results because it believed they did not control appropriately for differences in the vintages of utilities' capital stocks.

Because this econometric specification yields inferior results to that presented in Exh. BSG/LRK-2 and does not respond to the Department's stated concerns for nearly identical econometric models, it should not be used as a basis for proposing a consumer dividend for Bay State.

Table Four

ACTUAL AND PREDICTED O&M COST
BAY STATE GAS (1999-2003)

	Actual O&M Cost $1000	**Predicted O&M Cost $1000**	**Difference (%)**	**T-statistic**
Bay State	195,066	191,518	1.8%	0.58

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FOURTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16 2005

Responsible: Lawrence R. Kaufmann, Consultant (PBR)

DTE-4-15 Referring to the econometric cost model, please specify, for each of the variables, the source(s) of the data used in the cost research. Please discuss whether two different sources were ever necessary to complete the data set for a single variable. It yes, please explain the degree of homogeneity of the two data sets stemming from different sources.

Response: In some cases more than one source was required to complete a variable. Below are the sources of data for each of the variables used in the econometric work.

Distribution O&M Cost:	Multiple Sources: Accounting data from annual reports to State regulators or Uniform Statistical Reports to the AGA. The annual report data are normally based on the FERC Form 2 and the Uniform System of Accounts. The forms were either collected by PEG or taken from the Platts GasDat database product.
Labor Price:	Single Source - Bureau of Labor Statistics
Capital Price:	Single Source for each element of calculation- Bureau of Economic Analysis Handy Whitman RSMeans
Number of Customers	Multiple Sources: 1996-2003 – EIA Form 176; 1994-1995 – AGA Uniform Statistical Report or PUC Annual Reports as available. Data for Bay State are from Annual Reports to the DTE
Total Throughput	Same Sources as Number of Customers
Percent of Non-Iron and Steel	Single Source over Time - American Gas Association
Number of Electric Customers	FERC Form 1 and EIA-861
Miles of Distribution Main	Single Source over Time - American Gas Association

System Age Proxy	Same Sources as Number of Customers

Regarding the degree of homogeneity of different data sources (when more than one source was used), the data sources are largely homogeneous. For O&M cost data, both the USR and Annual Reports are based on the FERC Form 2 categories that correspond to the Uniform System of Accounts. For customers and sales, the various forms are typically of good quality and overall sales and customer numbers are defined comparably. The EIA-176 is a mandated federal form used to collect data that are later published in EIA publications such as Natural Gas Annual. Annual reports to a PUC are normally based on the FERC Form 2 which is filed by interstate gas pipelines. The main difference between the forms is the breakdown of data into customer classes, which is not relevant to our study since we use total throughput and customer numbers as independent variables.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Stephen H. Bryant, President

DTE-5-17 Refer to Exh. BSG/SHB-1, at 47, ln. 19-22. Please provide all documentation and/or analysis supporting the Company's claim that Itron's ERT technology was more cost-effective than the Metscan devices. Specifically, provide the information that made this assertion apparent to Bay State in 1999.

Response: Attachment DTE-5-17, taken from an internal Bay State report, is a summary table of information from the Automated Meter Reading Association. This information breaks down the total number of automated meter reading devices that had been shipped to gas utilities by 1998, broken down by communication type. This table demonstrates that radio frequency (RF) technology was the dominant technology in the industry, with a 92% share of the total market, as measured by units shipped.

It was also apparent at this time that Itron had taken a dominant position in the Massachusetts gas distribution industry, with fully-deployed systems at Boston Gas Company and Commonwealth Gas (now NStar Gas). These systems had been in the field for a number of years and had been proven to be very reliable.

Most utilities have chosen Radio Frequency technology. Telephone technology is generally used for special situations.

AMR Technologies Utilized by Gas Utilities

Communication Type	Units Shipped	# Projects
Hand Held Radio Frequency (RF)	850,171	53
Mobile RF	4,473,423	27
Fixed-Network RF	15,626	4
Handheld and Mobile RF	1,851,131	8
Handheld and Fixed RF	17,422	3
Mobile and Fixed RF	487,841	2
Handheld, Mobile, Fixed-Network RF	22,793	3
Miscellaneous	1,828	2
Sub-Total Radio Frequency	**7,720,235**	**102**
Telephone Based – Dial In	664,137	148
Telephone Based – Dial In, Dial Out	6,058	10
Telephone Based – Dial Out	20,200	3
Sub-Total Telephone Based	**690,395**	**161**
Radio Frequency, Power Line Carrier	561	2
Power Line Carrier	85	2
TOTALS	**8,411,276**	**268**

Source: Automatic Meter Reading Association, 1998

Note: 15.8 million AMR have been installed in Electric, Gas and Water Utilities

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DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Stephen H. Bryant, President

DTE-5-19 Refer to Exh. BSG/SHB-1, at 48, ln. 6-8. Please provide all documentation, correspondence, etc. relied on by the Company to support its claim that exposure to the elements reduced the reliability of the Metscan devices.

Response: Please see the Company's response to AG-3-32. In particular, see page 6 of Attachment AG-3-32 (b). This information demonstrates that the failure rate for Metscan devices installed on outside meters was 14%, compared to 0.47% for Metscan devices installed on inside meters.

COMMONWEALTH OF MASSACHUSETTS
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RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Stephen H. Bryant, President

DTE-5-20 Were the Metscan devices providing inaccurate or unreliable meter reads? If so, please provide all documentation to support this claim.

Response: By 1999, the Metscan devices installed on outside meters were unreliable because the experienced a failure rate was much higher than the failure rate for meters installed on inside meters. This failure rate resulted in a cost per meter reading that was higher than the cost to manually read outside meters.

Also, please see the Company's response to DTE-5-20 and AG-3-32, particularly page 6 of Attachment AG-3-32 (b).

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Stephen H. Bryant, President

DTE-5-21 Refer to Exh. BSG/SHB-1, at 48, ln. 6-13. Please provide all documents related to Bay State's decision in 2000 to replace the Metscan system with the Itron system.

Response: Please see the Company's response to AG-3-32.

COMMONWEALTH OF MASSACHUSETTS
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RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
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Date: June 16, 2005

Responsible: Stephen H. Bryant, President

DTE-5-22 Refer to Exh. BSG/SHB-1, at 48, ln. 17-20. Please provide the 2004 correspondence between Itron and the Company that supports the claim that Itron planned to discontinue production of Metscan devices and would no longer support the software that is used to collect meter readings.

Response: Please see the Company's response to AG-3-32. Specifically, see Attachment AG-03-32 (c).

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Stephen H. Bryant, President

DTE-5-23 Refer to Exh. BSG/SHB-1, at 49, ln. 6-11. Will the Company eventually replace these remaining Metscan meters with Itron meters? If not, how will the Company cover the service support needs of these remaining Metscan devices?

Response: The Company is currently engaged in replacing the Metscan devices in the field that serve customers with monthly meter reading needs. The Company is currently evaluating a number of alternatives for replacing the remaining Metscan devices that serve customers with daily meter reading needs.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Stephen H. Bryant, President

DTE-5-24 How long does the Company anticipate that the Itron devices will be in-service? Please provide all documentation to support this claim.

Response: The Company currently expects that the devices will be in the field for a minimum of 14 years. The Company will reevaluate its options in year 14 as the devices are brought back to the Company's facilities in conjunction with the 7-year meter exchange program. At that time, the Company will either change the battery in each device and redeploy the device or replace the entire Itron device, depending on the cost of each option.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SIXTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-6-18 Refer to Exh. BSG/JES-1, Workpaper JES-6, at 17. Please provide underlying data, information, and analyses for the values in col. (3).

Response: Please refer to response AG-3-9.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SIXTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-6-22 Refer to Exh. BSG/JES-1, Workpaper JES-10, at 1. Please provide the Department with a copy of the "Federal Reserve Statistical Release, H. 15 Selected Interest Rates."

Response: The "Federal Reserve Statistical Release, H 15 Selected Interest Rates" can be found at the following website:

http://www.federalreserve.gov/releases/h15/

The H.15 release contains daily interest rates for selected U.S.Treasury and private money market and capital market instruments. It is published weekly.

Please see Attachment DTE-6-23 for copies of the transmittal letters to the Department and the H.15's used to establish the interest rate for customer deposits for the past five years, pursuant to 220 CMR 26.09 (2). Attachment DTE-6-23 also includes the filing that established the interest rate for the period February 1, 2005 through January 31, 2006, included in Workpaper JES-10, at 1.

COMMONWEALTH OF MASSACHUSETTS
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RESPONSE OF BAY STATE GAS COMPANY TO THE
SIXTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: John E. Skirtich. Consultant (Revenue Requirements)

DTE-6-23 Refer to Exh. BSG/JES-1, Workpaper JES-10, at 1. Please provide a list of the rates payable on customer deposits used by the Company for the last 5 years. Include source documents.

Response: Please see Attachment DTE-6-23 for copies of the filings made with the Department pursuant to 220 CMR 26.09 (2) for the last five years. Attached to each transmittal letter is the source data (Federal Reserve Release H.15) used to establish the rate.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-1 Please provide case names, docket numbers and copies of all testimony that Mr. Moul has ever submitted in Massachusetts concerning the cost of capital.

Response: The list of cases is provided below:

Berkshire Gas Company	DPU 905
Bay State Gas Company	DPU 1122
Berkshire Gas Company	DPU 1490
Bay State Gas Company	DPU 1535
Fall River Gas Company	DPU 1557
Western Massachusetts Electric Co.	DPU 85-270
Berkshire Gas Company	DPU 86-82
Western Massachusetts Electric Co.	DPU 86-280
Commonwealth Gas Company	DPU 87-122
Boston Gas Company	DPU 87-161
Commonwealth Electric Co.	DPU 88-135/88-151
Bay State Gas Company	DPU 89-81
Berkshire Gas Company	DPU 89-112
Cambridge Electric Light Co.	DPU 89-109
Boston Gas Company	DPU 90-55
Berkshire Gas Company	DPU-90-121
Commonwealth Electric Co.	DPU-90-331
Fall River Gas Company	DPU 91-61
Commonwealth Gas Company	DPU 91-60
Bay State Gas Company	DPU 92-111
Berkshire Gas Company	DPU 92-210
Cambridge Electric Light Co.	DPU 92-250
Boston Gas Company	DPU-93-60
Boston Gas Company	DPU 96-50
Fall River Gas Company	DPU 96-60
Berkshire Gas Co.	DTE 01-56
Boston Gas Company	DTE 03-40

Because of the volume of testimony sponsored by Mr. Moul throughout his career, it would cost a significant amount and would take a significant number of man-hours to copy all of his testimony. Noting also that copies of Mr. Moul's testimony are contained in the Department public files, Bay State requests that the Department or any other party identify the specific testimony it seeks to review and that testimony may be copied and provided. Alternatively, with notice, Bay State can make a copy of each of the referenced testimonies available for review at the offices of its counsel, Nixon Peabody, LLP, just two blocks from the Department's offices.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-2 Please provide the geographic operations areas for each of the companies included in Mr. Moul's Gas Group.

Response: The geographic operations of each company in the Gas Group is:

AGL Resources -- Florida, Georgia, Maryland, New Jersey, Tennessee, Virginia
New Jersey Resources -- New Jersey
Piedmont Natural -- North Carolina, South Carolina, Tennessee
South Jersey Industries -- New Jersey
WGL Resources -- District of Columbia, Maryland, Virginia, West Virginia (storage only)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-3 Please provide a worksheet showing the following data for the Company and each individual company included in Mr. Moul's Gas Group for the past 5 years:

year-end total revenues
percentage of revenues derived from gas distribution operations
year-end long-term debt
year-end common equity
debt-equity ratio
year-end total capital
operating margin
interest coverage ratio
net cash flows
year-end short-term debt

Response: Please refer to the worksheet that is attached as Attachment DTE-13-3 for the requested data.

Gas Group

	2004	2003	2002 (Millions of Dollars)	2001	2000
year-end total revenues					
Bay State Gas Company	510.457	455.064	361.973	424.639	393.520
AGL RESOURCES INC	1832.000	983.700	868.900	1049.300	607.400
NEW JERSEY RESOURCES CORP	2533.607	2544.379	1830.754	2048.408	1164.549
PIEDMONT NATURAL GAS CO	1529.739	1220.822	832.028	1107.856	830.377
SOUTH JERSEY INDUSTRIES INC	819.076	696.820	505.126	837.341	515.928
WGL HOLDINGS INC *	1267.948	1301.057	925.131	1446.456	1031.105
percentage of revenues derived from gas distribution operations					
Bay State Gas Company	100.00%	100.00%	100.00%	100.00%	100.00%
AGL RESOURCES INC	50.55%	95.14%	97.15%	87.13%	86.45%
NEW JERSEY RESOURCES CORP	36.66%	29.86%	42.31%	49.28%	63.28%
PIEDMONT NATURAL GAS CO	100.00%	100.00%	100.00%	100.00%	100.00%
SOUTH JERSEY INDUSTRIES INC	61.35%	75.78%	82.61%	56.84%	86.63%
WGL HOLDINGS INC	61.91%	63.61%	59.24%	74.58%	82.54%
year-end long-term debt **					
Bay State Gas Company	178.500	118.500	95.500	148.500	183.500
AGL RESOURCES INC	1623.000	956.100	994.200	1064.900	664.300
NEW JERSEY RESOURCES CORP	315.887	257.899	370.628	353.799	291.528
PIEDMONT NATURAL GAS CO	660.000	460.000	462.000	509.000	451.000
SOUTH JERSEY INDUSTRIES INC	328.914	308.781	273.016	294.247	239.981
WGL HOLDINGS INC	590.164	636.650	667.951	584.370	559.575
year-end common equity					
Bay State Gas Company	435.839	414.243	409.801	423.153	423.206
AGL RESOURCES INC	1385.000	945.300	710.100	671.400	620.900
NEW JERSEY RESOURCES CORP	467.917	418.941	361.453	352.069	328.128
PIEDMONT NATURAL GAS CO	854.898	630.195	589.596	560.379	527.372
SOUTH JERSEY INDUSTRIES INC	344.412	297.961	237.792	220.286	201.739
WGL HOLDINGS INC	853.424	818.218	766.403	788.253	711.496
debt-equity ratio					
Bay State Gas Company	0.410 x	0.286 x	0.233 x	0.351 x	0.434 x
AGL RESOURCES INC	1.172 x	1.011 x	1.400 x	1.586 x	1.070 x
NEW JERSEY RESOURCES CORP	0.675 x	0.616 x	1.025 x	1.005 x	0.888 x
PIEDMONT NATURAL GAS CO	0.772 x	0.730 x	0.784 x	0.908 x	0.855 x
SOUTH JERSEY INDUSTRIES INC	0.955 x	1.036 x	1.148 x	1.336 x	1.190 x
WGL HOLDINGS INC	0.692 x	0.778 x	0.872 x	0.741 x	0.786 x
year-end total capital ***					
Bay State Gas Company	614.339	532.743	505.301	571.653	606.706
AGL RESOURCES INC	3044.000	1901.400	1704.300	1736.300	1285.200
NEW JERSEY RESOURCES CORP	783.804	676.840	732.376	706.166	620.056
PIEDMONT NATURAL GAS CO	1514.898	1090.195	1051.596	1069.379	978.372
SOUTH JERSEY INDUSTRIES INC	675.243	608.432	512.498	516.223	443.524
WGL HOLDINGS INC	1471.761	1483.041	1462.527	1400.796	1299.244
operating margin					
Bay State Gas Company	7.1%	9.5%	7.9%	8.5%	9.6%
AGL RESOURCES INC	18.1%	24.6%	24.0%	19.9%	22.7%
NEW JERSEY RESOURCES CORP	5.0%	4.8%	5.7%	4.9%	8.1%
PIEDMONT NATURAL GAS CO	11.7%	11.7%	14.5%	11.6%	14.9%
SOUTH JERSEY INDUSTRIES INC	11.1%	11.2%	13.7%	8.2%	13.1%
WGL HOLDINGS INC	15.3%	17.4%	13.6%	13.8%	16.7%
interest coverage ratio ****					
Bay State Gas Company	3.91 x	4.39 x	1.86 x	2.42 x	1.91 x
AGL RESOURCES INC	4.42 x	3.94 x	2.87 x	2.72 x	3.22 x
NEW JERSEY RESOURCES CORP	8.32 x	8.56 x	6.48 x	5.21 x	4.88 x
PIEDMONT NATURAL GAS CO	4.21 x	3.98 x	3.43 x	3.42 x	3.62 x
SOUTH JERSEY INDUSTRIES INC	4.50 x	3.82 x	3.40 x	2.96 x	2.78 x
WGL HOLDINGS INC	4.60 x	4.92 x	2.58 x	3.82 x	4.02 x
net cash flows					
Bay State Gas Company	58.765	54.210	54.670	31.532	35.463
AGL RESOURCES INC	231.000	209.000	215.600	141.700	128.300
NEW JERSEY RESOURCES CORP	60.367	62.441	38.772	47.364	49.942
PIEDMONT NATURAL GAS CO	135.771	126.590	78.825	54.217	76.304
SOUTH JERSEY INDUSTRIES INC	66.449	74.269	50.685	35.339	41.249
WGL HOLDINGS INC	155.473	174.716	42.203	125.690	99.257
year-end short-term debt					
Bay State Gas Company	157.939	192.656	218.889	140.250	138.000
AGL RESOURCES INC	334.000	306.400	388.600	303.400	141.200
NEW JERSEY RESOURCES CORP	259.700	185.800	59.900	85.800	43.300
PIEDMONT NATURAL GAS CO	109.500	555.059	46.500	32.000	99.500
SOUTH JERSEY INDUSTRIES INC	92.300	112.800	166.500	152.360	121.200
WGL HOLDINGS INC	95.634	166.662	90.865	134.052	161.423

* Compustat reports gas utility operating revenues
** excluding current maturities for the COMPUSTAT data
*** excluding current maturities and short-term debt for the COMPUSTAT data
**** pre-tax

Source: D.T.E. Annual Returns for Bay State and S&P COMPUSTAT for the Gas Group, except revenue percentage that is computed from the business segment notes from the annual shareholders reports

COMMONWEALTH OF MASSACHUSETTS
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RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-11 Refer to Exh. BSG/PRM-1, at 15. Please provide the percentage of operations from the gas utility business to revenues, income, and identifiable assets for each company in the Gas Group. Provide copies of source documents with this information.

Response: Please refer to the workpapers and source documents that are attached as Attachment 13-11.

Profile of Gas Group
Revenues in Millions of Dollars
Year 2003

Company	Gas Distribution Revenues	Other Revenues	Total Revenues	Percent Gas Distribution Revenues	Percent Other Revenues
AGL Resources, Inc.	$ 935,900	$ 47,800	$ 983,700	95.14%	4.86%
New Jersey Resources Corp.	$ 759,878	$ 1,784,501	$ 2,544,379	29.86%	70.14%
Piedmont Natural Gas Co.	$ 1,220,822	$ -	$ 1,220,822	100.00%	0.00%
South Jersey Industries, Inc.	$ 528,066	$ 168,754	$ 696,820	75.78%	24.22%
WGL Holdings, Inc.	$ 1,313,041	$ 751,207	$ 2,064,248	63.61%	36.39%
Average	$ 951,541	$ 550,452	$ 1,501,994	72.88%	27.12%

Profile of Gas Group

Income in Millions of Dollars
Year 2003

Company	Gas Distribution Income	Other Income	Total Income	Percent Gas Distribution Income	Percent Other Income
AGL Resources, Inc.	$ 246,800	$ 51,300	$ 298,100	82.79%	17.21%
New Jersey Resources Corp.	$ 97,408	$ 23,943	$ 121,351	80.27%	19.73%
Piedmont Natural Gas Co.	$ 143,199	$ (132)	$ 143,067	100.09%	-0.09%
South Jersey Industries, Inc.	$ 65,420	$ 12,423	$ 77,843	84.04%	15.96%
WGL Holdings, Inc.	$ 109,036	$ 3,306	$ 112,342	97.06%	2.94%
Average	$ 132,373	$ 18,168	$ 150,541	88.85%	11.15%

Profile of Gas Group
Assets in Millions of Dollars
Year 2003

Company	Gas Distribution Assets	Other Assets	Total Assets	Percent Gas Distribution Assets	Percent Other Assets
AGL Resources, Inc.	$ 3,325,000	$ 551,500	$ 3,876,500	85.77%	14.23%
New Jersey Resources Corp.	$ 1,285,894	$ 285,085	$ 1,570,979	81.85%	18.15%
Piedmont Natural Gas Co.	$ 2,230,272	$ 112,690	$ 2,342,962	95.19%	4.81%
South Jersey Industries, Inc.	$ 944,562	$ 181,641	$ 1,126,203	83.87%	16.13%
WGL Holdings, Inc.	$ 2,257,787	$ 178,265	$ 2,436,052	92.68%	7.32%
Average	$ 2,008,703	$ 261,836	$ 2,270,539	87.87%	12.13%

COMMONWEALTH OF MASSACHUSETTS
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RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-12 Refer to Exh. BSG/PRM-1, at 16. Please provide the anticipated date of 2004 annual data availability from S&P Compustat. Upon availability of the 2004 S&P Compustat data, will the Company be able to provide updated Gas Group analyses?

Response: The 2004 data is now available from S&P Compustat. The update of Schedule PRM-3 of Exhibit BSG/PRM-2 is attached as Attachment DTE-13-12, along with all workpapers.

Gas Group
Capitalization and Financial Statistics (1)
2000-2004, Inclusive

	2004	2003	2002	2001	2000	
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	$ 1,516.7	$ 1,171.8	$ 1,124.1	$ 1,106.9	$ 938.5	
Short-Term Debt	$ 178.2	$ 265.3	$ 150.5	$ 141.5	$ 113.3	
Total Capital	$ 1,694.9	$ 1,437.1	$ 1,274.6	$ 1,248.4	$ 1,051.8	
Market-Based Financial Ratios						Average
Price-Earnings Multiple	15 x	13 x	17 x	15 x	15 x	15 x
Market/Book Ratio	202.3%	194.0%	179.5%	190.8%	185.5%	190.4%
Dividend Yield	3.8%	4.3%	4.8%	4.6%	4.9%	4.5%
Dividend Payout Ratio	56.6%	57.8%	83.6%	67.1%	71.0%	67.2%
Capital Structure Ratios						
Based on Permanent Capital:						
Long-Term Debt	46.2%	45.5%	51.8%	52.3%	49.1%	49.0%
Preferred Stock	0.7%	0.4%	0.4%	0.4%	0.5%	0.5%
Common Equity	53.2%	54.1%	47.7%	47.2%	50.3%	50.5%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	52.5%	56.0%	57.3%	57.6%	54.8%	55.6%
Preferred Stock	0.6%	0.4%	0.4%	0.4%	0.5%	0.4%
Common Equity	46.9%	43.7%	42.3%	41.9%	44.7%	43.9%
	100.0%	100.0%	100.0%	100.0%	100.0%	99.9%
Rate of Return on Book Common Equity	13.4%	14.5%	11.9%	13.1%	12.7%	13.1%
Operating Ratio (2)	87.8%	86.1%	85.7%	88.3%	84.9%	86.6%
Coverage incl. AFUDC (3)						
Pre-tax: All Interest Charges	5.21 x	5.04 x	3.75 x	3.63 x	3.70 x	4.27 x
Post-tax: All Interest Charges	3.57 x	3.46 x	2.67 x	2.61 x	2.69 x	3.00 x
Overall Coverage: All Int. & Pfd. Div.	3.55 x	3.44 x	2.66 x	2.55 x	2.62 x	2.96 x
Coverage excl. AFUDC (3)						
Pre-tax: All Interest Charges	5.19 x	5.03 x	3.73 x	3.58 x	3.67 x	4.24 x
Post-tax: All Interest Charges	3.55 x	3.44 x	2.65 x	2.57 x	2.66 x	2.98 x
Overall Coverage: All Int. & Pfd. Div.	3.54 x	3.43 x	2.64 x	2.51 x	2.59 x	2.94 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	0.7%	0.7%	1.2%	2.4%	1.7%	1.3%
Effective Income Tax Rate	38.9%	39.2%	39.8%	38.5%	37.7%	38.8%
Internal Cash Generation/Construction (4)	102.0%	136.5%	78.2%	82.5%	84.8%	96.8%
Gross Cash Flow/ Avg. Total Debt(5)	21.6%	23.1%	17.4%	18.7%	21.6%	20.5%
Gross Cash Flow Interest Coverage(6)	5.58 x	5.81 x	4.10 x	3.79 x	4.29 x	4.72 x
Common Dividend Coverage (7)	3.47 x	3.75 x	3.05 x	2.89 x	3.00 x	3.23 x

See Page 2 for Notes.

AGL RESOURCES INC
Capitalization and Financial Statistics
2000-2004, Inclusive

	2004	2003	2002	2001	2000	
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	$ 3,044.0	$ 1,978.4	$ 1,734.3	$ 1,781.3	$ 1,305.2	
Short-Term Debt	$ 334.0	$ 306.4	$ 388.6	$ 303.4	$ 141.2	
Total Capital	$ 3,378.0	$ 2,284.8	$ 2,122.9	$ 2,084.7	$ 1,446.4	
Market-Based Financial Ratios						Average
Price-Earnings Multiple	13 x	12 x	11 x	13 x	15 x	13 x
Market/Book Ratio	183.8%	188.6%	171.0%	183.4%	167.6%	178.9%
Dividend Yield	3.8%	4.3%	5.1%	5.0%	5.6%	4.8%
Dividend Payout Ratio	49.0%	51.5%	58.7%	65.9%	84.1%	61.8%
Capital Structure Ratios						
Based on Permanent Captial:						
Long-Term Debt	53.3%	52.2%	59.1%	62.3%	52.4%	55.9%
Preferred Stock	1.2%	0.0%	0.0%	0.0%	0.0%	0.2%
Common Equity	45.5%	47.8%	40.9%	37.7%	47.6%	43.9%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	57.9%	58.6%	66.6%	67.8%	57.1%	61.6%
Preferred Stock	1.1%	0.0%	0.0%	0.0%	0.0%	0.2%
Common Equity	41.0%	41.4%	33.4%	32.2%	42.9%	38.2%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rate of Return on Book Common Equity	13.1%	16.4%	14.9%	13.8%	11.1%	13.9%
Operating Ratio (2)	81.9%	75.4%	76.0%	80.1%	77.3%	78.1%
Coverage incl. AFUDC (3)						
Pre-tax: All Interest Charges	4.42 x	3.94 x	2.87 x	2.72 x	3.22 x	3.43 x
Post-tax: All Interest Charges	3.15 x	2.79 x	2.20 x	2.14 x	2.50 x	2.56 x
Overall Coverage: All Int. & Pfd. Div.	3.15 x	2.79 x	2.20 x	1.91 x	2.23 x	2.46 x
Coverage excl. AFUDC (3)						
Pre-tax: All Interest Charges	4.42 x	3.94 x	2.87 x	2.72 x	3.22 x	3.43 x
Post-tax: All Interest Charges	3.15 x	2.79 x	2.20 x	2.14 x	2.50 x	2.56 x
Overall Coverage: All Int. & Pfd. Div.	3.15 x	2.79 x	2.20 x	1.91 x	2.23 x	2.46 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Effective Income Tax Rate	37.0%	39.0%	36.0%	33.4%	32.5%	35.6%
Internal Cash Generation/Construction (4)	87.5%	131.9%	115.3%	91.0%	88.1%	102.8%
Gross Cash Flow/ Avg. Total Debt(5)	18.6%	20.3%	19.0%	17.5%	23.0%	19.7%
Gross Cash Flow Interest Coverage(6)	5.01 x	4.48 x	3.98 x	3.21 x	4.57 x	4.25 x
Common Dividend Coverage (7)	4.08 x	3.99 x	5.05 x	3.63 x	3.51 x	4.05 x

See Page 2 for Notes.

AGL RESOURCES INC

	2004	**2003**	**2002**	**2001**	**2000**	**1999**
I/S - Operating Revs-Total (MM$)	1832.000	983.700	868.900	1049.300	607.400	1068.600
I/S - Operating Inc Taxes-Total (MM$)	90.000	86.800	58.000	49.900	37.200	39.100
I/S - Operating Exps-Total (MM$)	1590.000	828.100	718.700	890.500	506.800	953.100
I/S - Nonoperating Inc Taxes-Net (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
I/S - Gross Inc (Inc Bef Int) (MM$)	242.000	211.300	189.000	186.300	128.800	133.500
I/S - Interest Charges-Total (MM$)	71.000	75.600	86.000	86.900	51.600	53.000
I/S - Allow for Funds Used During Const-Tota	0.000	0.000	0.000	0.000	0.000	0.000
I/S - Subsidiary Preferred Dividends (MM$)	0.000	0.000	0.000	10.500	6.100	6.100
I/S - Pref. Dividend Requirements (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
I/S - Preference Div. Requirements (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
I/S - Available for Common After Adj. for Com	153.000	135.700	103.000	88.900	71.100	74.400
I/S - Earnings/Share (Primary) Excl. Extra. Ite	2.300	2.150	1.840	1.630	1.290	1.300
B/S - Common Equity-Total (MM$)	1385.000	945.300	710.100	671.400	620.900	661.500
B/S - Subsidiary Preferred Stock at Carrying V	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Premium on Subsidiary Preferred Stock	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Preferred Stock at Carrying Value (MM$	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Premium on Preferred Stock (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Preference Stock at Carrying Value (MM	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Premium on Preference Stock (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Minority Interest (MM$)	36.000	0.000	0.000	0.000	0.000	0.000
B/S - Long-Term Debt (Total) (MM$)	1623.000	956.100	994.200	1064.900	664.300	684.300
B/S - Treasury Stock-Dollar Amount-Preferred	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Capitalization (MM$)	3044.000	1901.400	1704.300	1736.300	1285.200	1345.800
B/S - Debt (Long-Term Due Within One Year)	0.000	77.000	30.000	45.000	20.000	50.000
B/S - Short-Term Debt (Total) (MM$)	334.000	306.400	388.600	303.400	141.200	1.500
B/S - Pref/Preference Stock Sinking Fund Re	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Net Inc Bef Extra Items & After MI (MM$	153.000	135.700	103.000	88.900	71.100	74.400
C/F - Depr. and Depl. (MM$)	99.000	91.400	89.100	101.300	84.400	81.800
C/F - Amortization (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Def. Inc Taxes-Net (MM$)	81.000	52.500	81.900	6.700	37.100	9.000
C/F - Invest. Tax Credit-Net (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Allow for Funds Used During Constr. (M	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Other Internal Sources-Net (MM$)	-27.000	-0.700	-5.200	-1.300	-13.100	-37.600
C/F - Util Plant-Gross Additions (MM$)	264.000	158.400	187.000	155.700	145.700	124.800
C/F - Cash Div on Common Stock (MM$)	75.000	69.900	53.200	53.900	51.200	52.800
C/F - Cash Div on Pref/Preference Stock (MM	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Interest Paid-Net (MM$)	50.000	59.600	73.300	83.300	56.100	60.500
C/F - Inc Taxes Paid (MM$)	27.000	23.000	15.300	37.300	24.200	17.000
Adjustment Factor (Cumulative) by Ex-Date (	1.000	1.000	1.000	1.000	1.000	1.000
Adjustment Factor (Cumulative)-Payable Date	1.000	1.000	1.000	1.000	1.000	1.000
Common Dividends (MM$)	75.000	69.900	60.500	58.600	59.800	62.100
Common Div. Paid per Share by Ex-Date ($&	1.150	1.110	1.080	1.080	1.080	1.080
Common Dividends Paid/Share by Payable D	1.150	1.110	1.080	1.080	1.080	1.080
Price-High ($&¢)	33.650	29.350	25.000	24.500	23.188	23.375
Price-Low ($&¢)	26.500	21.900	17.250	18.955	15.500	15.563
Price-Close ($&¢)	33.240	29.100	24.300	23.020	22.063	17.000
Common Shares Outstanding (MM)	76.700	64.500	56.700	55.100	54.000	57.100

Per Share (or Shares) Adjusted for Splits/Stock Dividends

	2004	2003	2002	2001	2000	1999
Earnings/Share (Primary) Excl. Extra. Item	$ 2.30	$ 2.15	$ 1.84	$ 1.63	$ 1.29	$ 1.30
Common Div. Paid per Share by Ex-Date	$ 1.15	$ 1.11	$ 1.08	$ 1.08	$ 1.08	$ 1.08
Common Dividends Paid/Share by Payabl	$ 1.15	$ 1.11	$ 1.08	$ 1.08	$ 1.08	$ 1.08
Price-High ($&¢)	$ 33.65	$ 29.35	$ 25.00	$ 24.50	$ 23.19	$ 23.38
Price-Low ($&¢)	$ 26.50	$ 21.90	$ 17.25	$ 18.96	$ 15.50	$ 15.56
Price-Close ($&¢)	$ 33.24	$ 29.10	$ 24.30	$ 23.02	$ 22.06	$ 17.00
Common Shares Outstanding (MM)	76.700	64.500	56.700	55.100	54.000	57.100
Book Value per Share	$ 18.06	$ 14.66	$ 12.52	$ 12.19	$ 11.50	$ 11.58

NEW JERSEY RESOURCES CORP
Capitalization and Financial Statistics
2000-2004, Inclusive

	2004	2003	2002	2001	2000	
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	$ 811.5	$ 679.3	$ 759.3	$ 706.7	$ 620.6	
Short-Term Debt	$ 259.7	$ 185.8	$ 59.9	$ 85.8	$ 43.3	
Total Capital	$ 1,071.2	$ 865.1	$ 819.2	$ 792.5	$ 663.9	
Market-Based Financial Ratios						Average
Price-Earnings Multiple	16 x	14 x	14 x	14 x	15 x	15 x
Market/Book Ratio	251.3%	241.4%	217.6%	223.9%	226.6%	232.2%
Dividend Yield	3.2%	3.6%	4.1%	4.1%	4.3%	3.9%
Dividend Payout Ratio	50.1%	51.4%	56.8%	58.2%	63.4%	56.0%
Capital Structure Ratios						
Based on Permanent Captial:						
Long-Term Debt	42.3%	38.3%	52.4%	50.1%	47.1%	46.0%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Common Equity	57.7%	61.7%	47.6%	49.8%	52.9%	53.9%
	100.0%	100.0%	100.0%	99.9%	100.1%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	56.3%	51.6%	55.8%	55.5%	50.5%	53.9%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Common Equity	43.7%	48.4%	44.1%	44.4%	49.4%	46.0%
	100.0%	100.0%	99.9%	99.9%	100.0%	100.0%
Rate of Return on Book Common Equity	16.1%	16.8%	15.9%	15.8%	15.2%	16.0%
Operating Ratio (2)	95.0%	95.2%	94.3%	95.1%	91.9%	94.3%
Coverage incl. AFUDC (3)						
Pre-tax: All Interest Charges	8.32 x	8.56 x	6.48 x	5.21 x	4.88 x	6.69 x
Post-tax: All Interest Charges	5.46 x	5.58 x	4.36 x	3.61 x	3.42 x	4.49 x
Overall Coverage: All Int. & Pfd. Div.	5.46 x	5.58 x	4.36 x	3.61 x	3.41 x	4.48 x
Coverage excl. AFUDC (3)						
Pre-tax: All Interest Charges	8.28 x	8.54 x	6.46 x	5.16 x	4.83 x	6.65 x
Post-tax: All Interest Charges	5.42 x	5.56 x	4.34 x	3.57 x	3.36 x	4.45 x
Overall Coverage: All Int. & Pfd. Div.	5.42 x	5.56 x	4.34 x	3.57 x	3.36 x	4.45 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	0.9%	0.4%	0.6%	1.6%	2.3%	1.2%
Effective Income Tax Rate	39.1%	39.4%	38.7%	38.0%	37.8%	38.6%
Internal Cash Generation/Construction (4)	100.1%	133.8%	91.6%	107.2%	102.3%	107.0%
Gross Cash Flow/ Avg. Total Debt(5)	18.2%	21.2%	15.8%	20.2%	22.8%	19.6%
Gross Cash Flow Interest Coverage(6)	6.73 x	7.56 x	5.04 x	4.73 x	4.93 x	5.80 x
Common Dividend Coverage (7)	2.71 x	2.88 x	2.21 x	2.53 x	2.65 x	2.60 x

See Page 2 for Notes.

NEW JERSEY RESOURCES CORP

	2004	2003	2002	2001	2000	1999
I/S - Operating Revs-Total (MM$)	2533.607	2544.379	1830.754	2048.408	1164.549	904.268
I/S - Operating Inc Taxes-Total (MM$)	45.945	42.462	35.924	32.891	29.147	25.445
I/S - Operating Exps-Total (MM$)	2452.334	2465.490	1762.299	1981.486	1099.784	842.196
I/S - Nonoperating Inc Taxes-Net (MM$)	0.000	0.000	0.000	0.000	0.000	1.390
I/S - Gross Inc (Inc Bef Int) (MM$)	86.969	79.404	73.400	73.368	66.713	64.479
I/S - Interest Charges-Total (MM$)	16.055	14.270	16.923	20.580	19.850	20.292
I/S - Allow for Funds Used During Const-Tota	0.660	0.278	0.367	0.875	1.100	0.735
I/S - Subsidiary Preferred Dividends (MM$)	0.000	0.000	0.000	0.000	0.027	0.116
I/S - Pref. Dividend Requirements (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
I/S - Preference Div. Requirements (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
I/S - Available for Common After Adj. for Com	71.574	65.412	56.844	53.663	47.936	44.806
I/S - Earnings/Share (Primary) Excl. Extra. Ite	2.600	2.410	2.120	3.030	2.710	2.510
B/S - Common Equity-Total (MM$)	467.917	418.941	361.453	352.069	328.128	302.169
B/S - Subsidiary Preferred Stock at Carrying V	0.000	0.000	0.295	0.298	0.400	0.520
B/S - Premium on Subsidiary Preferred Stock	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Preferred Stock at Carrying Value (MM$	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Premium on Preferred Stock (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Preference Stock at Carrying Value (MM	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Premium on Preference Stock (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Minority Interest (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Long-Term Debt (Total) (MM$)	315.887	257.899	370.628	353.799	291.528	287.723
B/S - Treasury Stock-Dollar Amount-Preferre	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Capitalization (MM$)	783.804	676.840	732.376	706.166	620.056	590.412
B/S - Debt (Long-Term Due Within One Year)	27.736	2.448	26.942	0.529	0.495	20.318
B/S - Short-Term Debt (Total) (MM$)	259.700	185.800	59.900	85.800	43.300	61.700
B/S - Pref/Preference Stock Sinking Fund Re	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Net Inc Bef Extra Items & After MI (MM$	71.574	65.412	56.844	53.663	47.936	44.806
C/F - Depr. and Depl. (MM$)	32.449	31.965	31.844	32.530	30.997	29.455
C/F - Amortization (MM$)	1.801	4.410	3.893	4.158	5.663	2.692
C/F - Def. Inc Taxes-Net (MM$)	3.788	15.221	18.759	-2.397	18.607	-2.785
C/F - Invest. Tax Credit-Net (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Allow for Funds Used During Constr. (M	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Other Internal Sources-Net (MM$)	-13.976	-21.322	-40.556	-9.601	-22.992	-6.124
C/F - Util Plant-Gross Additions (MM$)	60.313	46.653	42.314	44.176	48.826	48.196
C/F - Cash Div on Common Stock (MM$)	35.269	33.245	32.012	30.989	30.269	29.828
C/F - Cash Div on Pref/Preference Stock (MM	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Interest Paid-Net (MM$)	12.353	12.191	14.516	19.031	17.612	18.978
C/F - Inc Taxes Paid (MM$)	39.277	12.365	31.410	10.033	15.996	36.875
Adjustment Factor (Cumulative) by Ex-Date (	1.000	1.000	1.000	1.500	1.500	1.500
Adjustment Factor (Cumulative)-Payable Date	1.000	1.000	1.000	1.500	1.500	1.500
Common Dividends (MM$)	35.843	33.615	32.282	31.231	30.399	29.990
Common Div. Paid per Share by Ex-Date ($&	1.300	1.240	1.200	1.760	1.720	1.680
Common Dividends Paid/Share by Payable D	1.285	1.230	1.193	1.750	1.710	1.670
Price-High ($&¢)	44.550	39.540	33.600	48.800	44.625	41.125
Price-Low ($&¢)	36.500	30.010	24.350	37.260	36.188	33.625
Price-Close ($&¢)	43.340	38.510	31.590	46.800	43.250	39.063
Common Shares Outstanding (MM)	27.741	27.233	26.917	17.776	17.594	17.741
Per Share (or Shares) Adjusted for Splits/Stock Dividends						
Earnings/Share (Primary) Excl. Extra. Iten	$ 2.60	$ 2.41	$ 2.12	$ 2.02	$ 1.81	$ 1.67
Common Div. Paid per Share by Ex-Date	$ 1.30	$ 1.24	$ 1.20	$ 1.17	$ 1.15	$ 1.12
Common Dividends Paid/Share by Payabl	$ 1.29	$ 1.23	$ 1.19	$ 1.17	$ 1.14	$ 1.11
Price-High ($&¢)	$ 44.55	$ 39.54	$ 33.60	$ 32.53	$ 29.75	$ 27.42
Price-Low ($&¢)	$ 36.50	$ 30.01	$ 24.35	$ 24.84	$ 24.13	$ 22.42
Price-Close ($&¢)	$ 43.34	$ 38.51	$ 31.59	$ 31.20	$ 28.83	$ 26.04
Common Shares Outstanding (MM)	27.741	27.233	26.917	26.664	26.391	26.612
Book Value per Share	$ 16.87	$ 15.38	$ 13.43	$ 13.20	$ 12.43	$ 11.35

PIEDMONT NATURAL GAS CO
Capitalization and Financial Statistics
2000-2004, Inclusive

	2004	2003	2002	2001	2000	
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	$ 1,514.9	$ 1,092.2	$ 1,098.6	$ 1,071.4	$ 1,010.4	
Short-Term Debt	$ 109.5	$ 555.1	$ 46.5	$ 32.0	$ 99.5	
Total Capital	$ 1,624.4	$ 1,647.3	$ 1,145.1	$ 1,103.4	$ 1,109.9	
Market-Based Financial Ratios						Average
Price-Earnings Multiple	17 x	17 x	17 x	17 x	16 x	17 x
Market/Book Ratio	212.1%	211.2%	186.3%	198.9%	195.8%	200.9%
Dividend Yield	3.9%	4.3%	4.9%	4.5%	4.6%	4.4%
Dividend Payout Ratio	66.5%	73.8%	83.4%	74.7%	71.0%	73.9%
Capital Structure Ratios						
Based on Permanent Captial:						
Long-Term Debt	43.6%	42.3%	46.3%	47.7%	47.8%	45.5%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	56.4%	57.7%	53.7%	52.3%	52.2%	54.5%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	47.4%	61.7%	48.5%	49.2%	52.5%	51.9%
Preferred Stock	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Common Equity	52.6%	38.3%	51.5%	50.8%	47.5%	48.1%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rate of Return on Book Common Equity	12.8%	12.2%	10.8%	12.0%	12.6%	12.1%
Operating Ratio (2)	88.3%	88.3%	85.5%	88.4%	85.1%	87.1%
Coverage incl. AFUDC (3)						
Pre-tax: All Interest Charges	4.21 x	3.98 x	3.43 x	3.42 x	3.62 x	3.73 x
Post-tax: All Interest Charges	2.94 x	2.80 x	2.48 x	2.48 x	2.59 x	2.66 x
Overall Coverage: All Int. & Pfd. Div.	2.94 x	2.80 x	2.48 x	2.48 x	2.59 x	2.66 x
Coverage excl. AFUDC (3)						
Pre-tax: All Interest Charges	4.15 x	3.92 x	3.34 x	3.27 x	3.53 x	3.64 x
Post-tax: All Interest Charges	2.89 x	2.74 x	2.40 x	2.33 x	2.51 x	2.57 x
Overall Coverage: All Int. & Pfd. Div.	2.89 x	2.74 x	2.40 x	2.33 x	2.51 x	2.57 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	2.7%	3.0%	5.5%	10.2%	5.2%	5.3%
Effective Income Tax Rate	39.5%	39.5%	39.0%	39.0%	39.2%	39.2%
Internal Cash Generation/Construction (4)	95.8%	162.4%	98.4%	64.9%	72.4%	98.8%
Gross Cash Flow/ Avg. Total Debt(5)	22.3%	23.1%	23.8%	18.3%	22.4%	22.0%
Gross Cash Flow Interest Coverage(6)	4.95 x	5.37 x	4.05 x	3.23 x	3.97 x	4.31 x
Common Dividend Coverage (7)	3.15 x	3.31 x	2.52 x	2.11 x	2.68 x	2.75 x

See Page 2 for Notes.

PIEDMONT NATURAL GAS CO

	2004	2003	2002	2001	2000	1999
I/S - Operating Revs-Total (MM$)	1529.739	1220.822	832.028	1107.856	830.377	686.470
I/S - Operating Inc Taxes-Total (MM$)	51.485	40.093	30.784	34.575	33.975	38.365
I/S - Operating Exps-Total (MM$)	1402.424	1117.716	741.901	1013.887	740.677	594.748
I/S - Nonoperating Inc Taxes-Net (MM$)	10.562	8.524	9.010	7.300	7.381	-0.720
I/S - Gross Inc (Inc Bef Int) (MM$)	142.600	115.379	102.821	104.899	100.982	90.578
I/S - Interest Charges-Total (MM$)	49.033	41.332	42.042	44.324	40.272	34.398
I/S - Allow for Funds Used During Const-Tota	2.615	2.263	3.424	6.677	3.321	3.461
I/S - Subsidiary Preferred Dividends (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
I/S - Pref. Dividend Requirements (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
I/S - Preference Div. Requirements (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
I/S - Available for Common After Adj. for Com	95.188	74.362	62.217	65.485	64.031	58.207
I/S - Earnings/Share (Primary) Excl. Extra. Ite	2.560	2.230	1.900	2.030	2.030	1.880
B/S - Common Equity-Total (MM$)	854.898	630.195	589.596	560.379	527.372	491.747
B/S - Subsidiary Preferred Stock at Carrying '	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Premium on Subsidiary Preferred Stock	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Preferred Stock at Carrying Value (MM$	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Premium on Preferred Stock (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Preference Stock at Carrying Value (MM	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Premium on Preference Stock (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Minority Interest (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Long-Term Debt (Total) (MM$)	660.000	460.000	462.000	509.000	451.000	423.000
B/S - Treasury Stock-Dollar Amount-Preferre	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Capitalization (MM$)	1514.898	1090.195	1051.596	1069.379	978.372	914.747
B/S - Debt (Long-Term Due Within One Year)	0.000	2.000	47.000	2.000	32.000	2.000
B/S - Short-Term Debt (Total) (MM$)	109.500	555.059	46.500	32.000	99.500	79.500
B/S - Pref/Preference Stock Sinking Fund Re	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Net Inc Bef Extra Items & After MI (MM$	95.188	74.362	62.217	65.485	64.031	58.207
C/F - Depr. and Depl. (MM$)	87.336	64.161	58.393	53.069	52.090	47.917
C/F - Amortization (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Def. Inc Taxes-Net (MM$)	21.337	45.792	14.104	-8.193	14.612	12.918
C/F - Invest. Tax Credit-Net (MM$)	-0.550	-0.550	-0.556	-0.558	-0.558	-0.558
C/F - Allow for Funds Used During Constr. (M	2.615	2.263	3.424	6.677	3.321	NA
C/F - Other Internal Sources-Net (MM$)	-1.658	0.000	0.000	0.000	-5.063	-3.461
C/F - Util Plant-Gross Additions (MM$)	144.376	80.198	83.536	90.213	108.650	98.576
C/F - Cash Div on Common Stock (MM$)	63.267	54.912	51.909	48.909	45.487	42.168
C/F - Cash Div on Pref/Preference Stock (MM	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Interest Paid-Net (MM$)	43.868	40.268	39.696	39.977	37.971	32.647
C/F - Inc Taxes Paid (MM$)	44.396	30.554	34.166	51.430	85.848	49.359
Adjustment Factor (Cumulative) by Ex-Date (	2.000	2.000	2.000	2.000	2.000	2.000
Adjustment Factor (Cumulative)-Payable Dat	1.000	2.000	2.000	2.000	2.000	2.000
Common Dividends (MM$)	63.267	54.912	51.909	48.909	45.487	42.168
Common Div. Paid per Share by Ex-Date ($&	1.705	1.645	1.585	1.520	1.440	1.360
Common Dividends Paid/Share by Payable D	1.068	1.645	1.585	1.520	1.440	1.360
Price-High ($&¢)	48.700	43.950	38.000	38.000	39.438	36.625
Price-Low ($&¢)	38.320	33.220	27.350	29.190	23.688	28.625
Price-Close ($&¢)	46.480	43.460	35.350	35.800	38.188	30.125
Common Shares Outstanding (MM)	38.335	33.655	33.090	32.463	31.914	31.295
Per Share (or Shares) Adjusted for Splits/Stock Dividends						
Earnings/Share (Primary) Excl. Extra. Iten	$ 1.28	$ 1.12	$ 0.95	$ 1.02	$ 1.02	$ 0.94
Common Div. Paid per Share by Ex-Date	$ 0.85	$ 0.82	$ 0.79	$ 0.76	$ 0.72	$ 0.68
Common Dividends Paid/Share by Payabl	$ 0.53	$ 0.82	$ 0.79	$ 0.76	$ 0.72	$ 0.68
Price-High ($&¢)	$ 24.35	$ 21.98	$ 19.00	$ 19.00	$ 19.72	$ 18.31
Price-Low ($&¢)	$ 19.16	$ 16.61	$ 13.68	$ 14.60	$ 11.84	$ 14.31
Price-Close ($&¢)	$ 23.24	$ 21.73	$ 17.68	$ 17.90	$ 19.09	$ 15.06
Common Shares Outstanding (MM)	76.670	67.310	66.180	64.926	63.828	62.590
Book Value per Share	$ 11.15	$ 9.36	$ 8.91	$ 8.63	$ 8.26	$ 7.86

SOUTH JERSEY INDUSTRIES INC
Capitalization and Financial Statistics
2000-2004, Inclusive

	2004	2003	2002	2001	2000	
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	$ 680.6	$ 613.7	$ 523.2	$ 526.0	$ 455.4	
Short-Term Debt	$ 92.3	$ 112.8	$ 166.5	$ 152.4	$ 121.2	
Total Capital	$ 772.9	$ 726.5	$ 689.7	$ 678.3	$ 576.6	
Market-Based Financial Ratios						Average
Price-Earnings Multiple	15 x	13 x	13 x	13 x	13 x	13 x
Market/Book Ratio	195.4%	169.6%	170.4%	170.9%	160.0%	173.3%
Dividend Yield	3.5%	4.4%	4.7%	4.8%	5.3%	4.5%
Dividend Payout Ratio	52.4%	57.1%	61.9%	64.6%	67.5%	60.7%
Capital Structure Ratios						
Based on Permanent Captial:						
Long-Term Debt	49.1%	51.2%	54.2%	57.8%	55.3%	53.5%
Preferred Stock	0.3%	0.3%	0.3%	0.3%	0.4%	0.3%
Common Equity	50.6%	48.6%	45.5%	41.9%	44.3%	46.2%
	100.0%	100.1%	100.0%	100.0%	100.0%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	55.2%	58.8%	65.3%	67.3%	64.7%	62.3%
Preferred Stock	0.2%	0.2%	0.2%	0.2%	0.3%	0.2%
Common Equity	44.6%	41.0%	34.5%	32.5%	35.0%	37.5%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rate of Return on Book Common Equity	13.4%	12.9%	12.8%	12.7%	12.7%	12.9%
Operating Ratio (2)	88.9%	88.8%	86.3%	91.8%	86.9%	88.5%
Coverage incl. AFUDC (3)						
Pre-tax: All Interest Charges	4.50 x	3.82 x	3.40 x	2.96 x	2.78 x	3.49 x
Post-tax: All Interest Charges	3.09 x	2.68 x	2.42 x	2.14 x	2.01 x	2.47 x
Overall Coverage: All Int. & Pfd. Div.	3.09 x	2.68 x	2.42 x	2.14 x	2.01 x	2.47 x
Coverage excl. AFUDC (3)						
Pre-tax: All Interest Charges	4.50 x	3.82 x	3.40 x	2.96 x	2.78 x	3.49 x
Post-tax: All Interest Charges	3.09 x	2.68 x	2.42 x	2.14 x	2.01 x	2.47 x
Overall Coverage: All Int. & Pfd. Div.	3.09 x	2.68 x	2.42 x	2.14 x	2.01 x	2.47 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Effective Income Tax Rate	40.4%	40.6%	41.0%	41.8%	43.1%	41.4%
Internal Cash Generation/Construction (4)	89.6%	118.9%	59.8%	52.9%	81.1%	80.5%
Gross Cash Flow/ Avg. Total Debt(5)	20.9%	21.4%	15.2%	12.7%	16.1%	17.3%
Gross Cash Flow Interest Coverage(6)	5.30 x	5.58 x	4.18 x	3.11 x	3.37 x	4.31 x
Common Dividend Coverage (7)	3.95 x	4.77 x	3.78 x	3.04 x	3.48 x	3.80 x

See Page 2 for Notes.

SOUTH JERSEY INDUSTRIES INC

	2004	2003	2002	2001	2000	1999
I/S - Operating Revs-Total (MM$)	819.076	696.820	505.126	837.341	515.928	392.477
I/S - Operating Inc Taxes-Total (MM$)	29.079	23.596	20.404	19.295	18.658	16.428
I/S - Operating Exps-Total (MM$)	757.416	642.573	456.455	787.575	466.897	346.590
I/S - Nonoperating Inc Taxes-Net (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
I/S - Gross Inc (Inc Bef Int) (MM$)	63.546	55.169	50.146	50.470	49.031	45.887
I/S - Interest Charges-Total (MM$)	20.573	20.616	20.734	23.601	24.366	23.910
I/S - Allow for Funds Used During Const-Tota	0.000	0.000	0.000	0.000	0.000	0.000
I/S - Subsidiary Preferred Dividends (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
I/S - Pref. Dividend Requirements (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
I/S - Preference Div. Requirements (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
I/S - Available for Common After Adj. for Com	42.973	34.553	29.412	26.869	24.665	21.977
I/S - Earnings/Share (Primary) Excl. Extra. Ite	3.140	2.750	2.440	2.290	2.160	2.010
B/S - Common Equity-Total (MM$)	344.412	297.961	237.792	220.286	201.739	185.275
B/S - Subsidiary Preferred Stock at Carrying V	1.690	1.690	1.690	1.690	1.804	2.044
B/S - Premium on Subsidiary Preferred Stock	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Preferred Stock at Carrying Value (MM$	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Premium on Preferred Stock (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Preference Stock at Carrying Value (MM	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Premium on Preference Stock (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Minority Interest (MM$)	0.227	0.000	0.000	0.000	0.000	0.000
B/S - Long-Term Debt (Total) (MM$)	328.914	308.781	273.016	294.247	239.981	218.561
B/S - Treasury Stock-Dollar Amount-Preferred	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Capitalization (MM$)	675.243	608.432	512.498	516.223	443.524	405.880
B/S - Debt (Long-Term Due Within One Year)	5.348	5.273	10.696	9.733	11.876	8.876
B/S - Short-Term Debt (Total) (MM$)	92.300	112.800	166.500	152.360	121.200	119.950
B/S - Pref/Preference Stock Sinking Fund Re	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Net Inc Bef Extra Items & After MI (MM$	42.973	34.553	29.412	26.869	24.665	21.977
C/F - Depr. and Depl. (MM$)	27.720	27.640	24.864	23.446	23.104	21.765
C/F - Amortization (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Def. Inc Taxes-Net (MM$)	15.272	4.622	14.690	7.657	13.845	7.112
C/F - Invest. Tax Credit-Net (MM$)	-0.342	-0.348	-0.347	-0.347	0.000	0.000
C/F - Allow for Funds Used During Constr. (M	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Other Internal Sources-Net (MM$)	3.360	27.519	0.270	-4.938	-3.718	-2.173
C/F - Util Plant-Gross Additions (MM$)	74.148	62.488	84.740	66.859	50.834	48.736
C/F - Cash Div on Common Stock (MM$)	22.534	19.717	18.204	17.348	16.647	15.728
C/F - Cash Div on Pref/Preference Stock (MM	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Interest Paid-Net (MM$)	20.084	21.056	17.811	20.662	24.219	25.264
C/F - Inc Taxes Paid (MM$)	17.551	8.699	8.433	6.480	4.838	4.423
Adjustment Factor (Cumulative) by Ex-Date (	1.000	1.000	1.000	1.000	1.000	1.000
Adjustment Factor (Cumulative)-Payable Date	1.000	1.000	1.000	1.000	1.000	1.000
Common Dividends (MM$)	22.534	19.717	18.204	17.348	16.647	15.728
Common Div. Paid per Share by Ex-Date ($&	1.640	1.560	1.510	1.480	1.460	1.440
Common Dividends Paid/Share by Payable D	1.640	1.560	1.880	1.475	1.455	1.440
Price-High ($&¢)	53.100	40.700	36.650	34.100	30.125	30.750
Price-Low ($&¢)	39.360	30.550	28.200	27.600	24.500	21.500
Price-Close ($&¢)	52.560	40.500	33.020	32.600	29.750	28.438
Common Shares Outstanding (MM)	13.880	13.229	12.206	11.861	11.500	11.152

Per Share (or Shares) Adjusted for Splits/Stock Dividends

	2004	2003	2002	2001	2000	1999
Earnings/Share (Primary) Excl. Extra. Iten	$ 3.14	$ 2.75	$ 2.44	$ 2.29	$ 2.16	$ 2.01
Common Div. Paid per Share by Ex-Date	$ 1.64	$ 1.56	$ 1.51	$ 1.48	$ 1.46	$ 1.44
Common Dividends Paid/Share by Payabl	$ 1.64	$ 1.56	$ 1.88	$ 1.48	$ 1.46	$ 1.44
Price-High ($&¢)	$ 53.10	$ 40.70	$ 36.65	$ 34.10	$ 30.13	$ 30.75
Price-Low ($&¢)	$ 39.36	$ 30.55	$ 28.20	$ 27.60	$ 24.50	$ 21.50
Price-Close ($&¢)	$ 52.56	$ 40.50	$ 33.02	$ 32.60	$ 29.75	$ 28.44
Common Shares Outstanding (MM)	13.880	13.229	12.206	11.861	11.500	11.152
Book Value per Share	$ 24.81	$ 22.52	$ 19.48	$ 18.57	$ 17.54	$ 16.61

WGL HOLDINGS INC
Capitalization and Financial Statistics
2000-2004, Inclusive

	2004	2003	2002	2001	2000	Average
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	$ 1,532.4	$ 1,495.2	$ 1,504.9	$ 1,449.0	$ 1,300.9	
Short-Term Debt	$ 95.6	$ 166.7	$ 90.9	$ 134.1	$ 161.4	
Total Capital	$ 1,628.0	$ 1,661.9	$ 1,595.8	$ 1,583.0	$ 1,462.3	
Market-Based Financial Ratios						
Price-Earnings Multiple	15 x	11 x	30 x	16 x	15 x	17 x
Market/Book Ratio	169.0%	159.3%	152.2%	176.7%	177.3%	166.9%
Dividend Yield	4.4%	4.9%	5.2%	4.5%	4.6%	4.7%
Dividend Payout Ratio	65.2%	55.3%	157.3%	72.3%	68.9%	83.8%
Capital Structure Ratios						
Based on Permanent Captial:						
Long-Term Debt	42.5%	43.4%	47.2%	43.7%	43.1%	44.0%
Preferred Stock	1.8%	1.9%	1.9%	1.9%	2.2%	1.9%
Common Equity	55.7%	54.7%	50.9%	54.4%	54.7%	54.1%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Based on Total Capital:						
Total Debt incl. Short Term	45.8%	49.1%	50.2%	48.4%	49.4%	48.6%
Preferred Stock	1.7%	1.7%	1.8%	1.8%	1.9%	1.8%
Common Equity	52.4%	49.2%	48.0%	49.8%	48.7%	49.6%
	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%
Rate of Return on Book Common Equity	11.6%	14.2%	5.0%	11.0%	11.9%	10.7%
Operating Ratio (2)	84.7%	82.6%	86.4%	86.2%	83.3%	84.6%
Coverage incl. AFUDC (3)						
Pre-tax: All Interest Charges	4.60 x	4.92 x	2.58 x	3.82 x	4.02 x	3.99 x
Post-tax: All Interest Charges	3.22 x	3.45 x	1.88 x	2.68 x	2.93 x	2.83 x
Overall Coverage: All Int. & Pfd. Div.	3.13 x	3.36 x	1.83 x	2.61 x	2.85 x	2.76 x
Coverage excl. AFUDC (3)						
Pre-tax: All Interest Charges	4.60 x	4.92 x	2.58 x	3.81 x	4.01 x	3.98 x
Post-tax: All Interest Charges	3.22 x	3.45 x	1.88 x	2.67 x	2.92 x	2.83 x
Overall Coverage: All Int. & Pfd. Div.	3.13 x	3.36 x	1.83 x	2.60 x	2.83 x	2.75 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	0.0%	0.0%	0.0%	0.4%	0.8%	0.2%
Effective Income Tax Rate	38.3%	37.4%	44.1%	40.5%	36.0%	39.3%
Internal Cash Generation/Construction (4)	137.1%	135.4%	26.0%	96.5%	80.0%	95.0%
Gross Cash Flow/ Avg. Total Debt(5)	27.9%	29.3%	13.2%	24.8%	23.5%	23.7%
Gross Cash Flow Interest Coverage(6)	5.93 x	6.08 x	3.24 x	4.68 x	4.60 x	4.91 x
Common Dividend Coverage (7)	3.48 x	3.82 x	1.69 x	3.14 x	2.70 x	2.97 x

See Page 2 for Notes.

WGL HOLDINGS INC

	2004	2003	2002	2001	2000	1999
I/S - Operating Revs-Total (MM$)	1267.948	1301.057	925.131	1446.456	1031.105	972.120
I/S - Operating Inc Taxes-Total (MM$)	58.463	68.633	28.702	59.009	47.821	38.606
I/S - Operating Exps-Total (MM$)	1132.315	1143.304	827.710	1305.131	906.242	870.966
I/S - Nonoperating Inc Taxes-Net (MM$)	2.439	-0.665	3.175	-1.993	-0.153	2.970
I/S - Gross Inc (Inc Bef Int) (MM$)	142.102	160.043	86.318	133.765	128.310	105.739
I/S - Interest Charges-Total (MM$)	44.145	46.381	45.877	50.000	43.736	36.971
I/S - Allow for Funds Used During Const-Tota	0.000	0.000	0.000	0.347	0.679	1.642
I/S - Subsidiary Preferred Dividends (MM$)	1.320	1.320	1.320	1.320	0.000	0.000
I/S - Pref. Dividend Requirements (MM$)	0.000	0.000	0.000	0.000	1.323	1.331
I/S - Preference Div. Requirements (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
I/S - Available for Common After Adj. for Com	96.637	112.342	39.121	82.445	83.251	67.437
I/S - Earnings/Share (Primary) Excl. Extra. Ite	1.990	2.310	0.810	1.750	1.790	1.470
B/S - Common Equity-Total (MM$)	853.424	818.218	766.403	788.253	711.496	684.034
B/S - Subsidiary Preferred Stock at Carrying \	28.173	28.173	28.173	28.173	0.000	0.000
B/S - Premium on Subsidiary Preferred Stock	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Preferred Stock at Carrying Value (MM$	0.000	0.000	0.000	0.000	28.173	28.420
B/S - Premium on Preferred Stock (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Preference Stock at Carrying Value (MM	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Premium on Preference Stock (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Minority Interest (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Long-Term Debt (Total) (MM$)	590.164	636.650	667.951	584.370	559.575	506.084
B/S - Treasury Stock-Dollar Amount-Preferred	0.000	0.000	0.000	0.000	0.000	0.000
B/S - Capitalization (MM$)	1471.761	1483.041	1462.527	1400.796	1299.244	1218.538
B/S - Debt (Long-Term Due Within One Year)	60.639	12.180	42.396	48.179	1.668	1.431
B/S - Short-Term Debt (Total) (MM$)	95.634	166.662	90.865	134.052	161.423	113.067
B/S - Pref/Preference Stock Sinking Fund Re	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Net Inc Bef Extra Items & After MI (MM$	96.637	112.342	39.121	82.445	84.574	68.768
C/F - Depr. and Depl. (MM$)	96.245	89.273	77.922	73.261	69.808	66.247
C/F - Amortization (MM$)	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Def. Inc Taxes-Net (MM$)	28.178	41.625	-7.391	42.656	17.470	9.576
C/F - Invest. Tax Credit-Net (MM$)	-0.897	-0.898	-0.901	-0.899	-0.900	-1.054
C/F - Allow for Funds Used During Constr. (M	0.000	0.000	0.000	0.347	0.679	1.642
C/F - Other Internal Sources-Net (MM$)	-1.944	-5.678	-5.115	-12.673	-12.545	-2.719
C/F - Util Plant-Gross Additions (MM$)	113.439	129.083	162.383	130.562	124.746	160.375
C/F - Cash Div on Common Stock (MM$)	62.746	61.948	61.433	58.753	58.471	56.631
C/F - Cash Div on Pref/Preference Stock (MM	0.000	0.000	0.000	0.000	0.000	0.000
C/F - Interest Paid-Net (MM$)	43.355	45.283	44.951	49.667	43.472	38.685
C/F - Inc Taxes Paid (MM$)	22.073	45.275	36.102	19.745	27.302	29.519
Adjustment Factor (Cumulative) by Ex-Date (	1.000	1.000	1.000	1.000	1.000	1.000
Adjustment Factor (Cumulative)-Payable Date	1.000	1.000	1.000	1.000	1.000	1.000
Common Dividends (MM$)	63.002	62.091	61.556	59.636	57.379	56.322
Common Div. Paid per Share by Ex-Date ($&	1.290	1.275	1.265	1.250	1.230	1.210
Common Dividends Paid/Share by Payable D	1.290	1.275	1.265	1.250	1.230	1.210
Price-High ($&¢)	31.430	28.790	29.480	30.500	31.500	29.438
Price-Low ($&¢)	26.660	23.150	19.250	25.260	21.750	21.000
Price-Close ($&¢)	30.840	27.790	23.920	29.070	30.438	27.500
Common Shares Outstanding (MM)	48.653	48.612	48.565	48.543	46.470	46.475

Per Share (or Shares) Adjusted for Splits/Stock Dividends

	2004	2003	2002	2001	2000	1999
Earnings/Share (Primary) Excl. Extra. Iten	$ 1.99	$ 2.31	$ 0.81	$ 1.75	$ 1.79	$ 1.47
Common Div. Paid per Share by Ex-Date	$ 1.29	$ 1.28	$ 1.27	$ 1.25	$ 1.23	$ 1.21
Common Dividends Paid/Share by Payabl	$ 1.29	$ 1.28	$ 1.27	$ 1.25	$ 1.23	$ 1.21
Price-High ($&¢)	$ 31.43	$ 28.79	$ 29.48	$ 30.50	$ 31.50	$ 29.44
Price-Low ($&¢)	$ 26.66	$ 23.15	$ 19.25	$ 25.26	$ 21.75	$ 21.00
Price-Close ($&¢)	$ 30.84	$ 27.79	$ 23.92	$ 29.07	$ 30.44	$ 27.50
Common Shares Outstanding (MM)	48.653	48.612	48.565	48.543	46.470	46.475
Book Value per Share	$ 17.54	$ 16.83	$ 15.78	$ 16.24	$ 15.31	$ 14.72

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-13 Refer to Exh. BSG/PRM-1, at 16-19. Please provide a summary of the information provided by category for the Company, the Gas Group, and the S&P Public Utilities in table format.

Response: The requested information is provided on the spreadsheet provided as Attachment DTE-13-13.

Comparative Statistics

	2004/3	2003/2	2002/1	2001/0	2000/1999	Average
			(Millions of Dollars)			
Size						
Bay State Gas Company	$ 772.3	$ 725.4	$ 724.2	$ 711.9	$ 744.7	
Gas Group	1,437.1	1,274.6	1,248.4	1,051.8	986.7	
Standard & Poor's Public Utilities	14,381.9	15,048.2	15,043.2	13,450.3	11,127.9	
Market Ratios						
Price-Earnings Multiple						
Bay State Gas Company	N/A	N/A	N/A	N/A	N/A	N/A
Gas Group	13 x	17 x	15 x	15 x	15 x	15 x
Standard & Poor's Public Utilities	13 x	15 x	17 x	18 x	17 x	16 x
Dividend Yield						
Bay State Gas Company	N/A	N/A	N/A	N/A	N/A	N/A
Gas Group	4.3%	4.8%	4.6%	4.9%	4.9%	4.7%
Standard & Poor's Public Utilities	4.1%	4.8%	3.9%	4.7%	4.8%	4.5%
Market/Book Ratio						
Bay State Gas Company	N/A	N/A	N/A	N/A	N/A	N/A
Gas Group	194.0%	179.5%	190.8%	185.5%	189.0%	187.8%
Standard & Poor's Public Utilities	150.5%	153.9%	194.3%	188.8%	183.3%	174.2%
Common Equity Ratio						
Bay State Gas Company	70.9%	77.8%	81.1%	74.0%	69.8%	74.7%
Gas Group	54.1%	47.7%	47.2%	50.3%	50.3%	49.9%
Standard & Poor's Public Utilities	37.6%	35.8%	38.2%	39.8%	41.1%	38.5%
Return on Book Equity						
Bay State Gas Company	4.5%	5.5%	1.7%	3.5%	3.0%	3.6%
Gas Group	14.5%	11.9%	13.1%	12.7%	12.3%	12.9%
Standard & Poor's Public Utilities	10.3%	6.9%	14.2%	8.3%	12.4%	10.4%
Operating Ratios						
Bay State Gas Company	92.9%	90.5%	92.1%	91.5%	90.4%	91.5%
Gas Group	86.1%	85.7%	88.3%	84.9%	85.3%	86.1%
Standard & Poor's Public Utilities	82.3%	85.1%	85.5%	86.8%	83.0%	84.5%
Coverage						
Bay State Gas Company	3.91 x	4.39 x	1.86 x	2.42 x	1.91 x	2.90 x
Gas Group	5.03 x	3.73 x	3.58 x	3.67 x	3.60 x	3.92 x
Standard & Poor's Public Utilities	2.52 x	2.23 x	2.78 x	2.52 x	3.12 x	2.63 x
Quality of Earnings						
AFC/Income Avail. for Common Equity						
Bay State Gas Company	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Gas Group	0.7%	1.2%	2.4%	1.7%	2.0%	1.6%
Standard & Poor's Public Utilities	1.7%	2.6%	2.0%	5.3%	1.7%	2.7%
Effective Income Tax Rate						
Bay State Gas Company	31.9%	35.9%	44.1%	34.6%	30.4%	35.4%
Gas Group	39.2%	39.8%	38.5%	37.7%	38.0%	38.6%
Standard & Poor's Public Utilities	41.2%	29.3%	30.6%	35.6%	35.0%	34.3%
Internally Generated Funds						
Bay State Gas Company	157.3%	191.9%	184.7%	103.9%	134.9%	154.5%
Gas Group	136.5%	78.2%	82.5%	84.8%	66.5%	89.7%
Standard & Poor's Public Utilities	131.0%	93.0%	95.9%	87.0%	108.5%	103.1%
Betas						
Bay State Gas Company	N/A					
Gas Group	0.72					
Standard & Poor's Public Utilities	0.95					

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-14 Refer to Exh. BSG/PRM-1, at 16-19. Please provide a summary of the information provided by category for the Company, the Gas Group, and the S&P Public Utilities in table format using 1999 - 2003 data for all groups.

Response: Please see Attachment DTE-13-13, provided in response to DTE 13-13.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-15 Refer to Exh. BSG/PRM-1, at 21, and Exh. BSG/PRM-2, Sch. PRM-5. Provide specific source information for all items listed in the “Actual Amount Outstanding” column. If the data is from the Company’s 2004 Annual Return to the D.T.E., please note page, account, and line of the item. If an item is Company-provided, please provide the underlying documents and analysis related to the item.

Response: The values shown in the column “Actual Amount Outstanding” were taken from pages from the Company’s 2004 Annual Return to the D.T.E. The Long-Term Debt was taken from DTE page 9 line 18 and the Common Equity was taken from DTE page 9 lines 3, 6, 9 and 10. The Ratesetting Adjustments were taken from DTE page 8 line 5 and from data provided by the Company. Please refer to the spreadsheet attached as Attachment DTE-13-15.

Bay State Massachusetts
Account Balances includind PAA and Equity

Acct		December 2003		December 2004		Activity 2003	
303	*Misc Intangible Plant (Including: Gross Plant Acquisition Adjustment)*						
	Gross Plant Acquisition Adjustment	$443,450,715.86		$442,163,257.00		($1,287,458.86)	
	Other	$34,587,523.03	$478,038,238.89	$34,573,711.00	$476,736,968.00	($13,812.03)	($1,301,270.89)
257	*Reserve for Amortization (Including Acquisition Adj Amortization)*						
	Plant Acquisition Adjustment Amortization	($56,577,962.10)		($67,605,214.00)		($11,027,251.90)	
	Other	($18,745,100.90)	($75,323,063.00)	($22,264,218.00)	($89,869,432.00)	($3,519,117.10)	($14,546,369.00)
201-217	*Proprietary Capital*						
	Acquisition Premium	($240,135,280.76)		($233,433,469.00)		$6,701,811.76	
	Investment in NU	($114,935,335.03)		($117,934,621.00)		($2,999,285.97)	
	Investment in GPE	($36,751.94)		($38,858.00)		($2,106.06)	
	Other	($174,107,806.49)	($529,215,174.22)	($202,405,218.00)	($553,812,166.00)	($28,297,411.51)	($24,596,991.78)
182, 278	*Reg Asset, Liability FAS 109 Taxes*			$711,260.00		$711,260.00	
267,268	*Accumulated Deferred Tax*						
	FIT Merger Plant Acquisition	($122,421,512.00)		($122,574,120.00)		($152,608.00)	
	FIT Other			$5,084,558.00		$5,084,558.00	
	SIT Merger Plan Acquisition	($24,315,961.00)	($146,737,473.00)	($24,346,272.00)	($141,835,834.00)	($30,311.00)	($182,919.00)
	Net of all Plant Acquisition Adjustment Balances	$0.00		$0.00		($711,260.00)	

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-16 Refer to Exh. BSG/PRM-2, Sch. PRM-5. Has the proforma $15,000,000 note already received Department authorization as part of Bay State Gas Company, D.T.E. 04-80 (2004), or does the Company intend to seek approval of this issuance as part of a separate petition?

Response: Department approval was provided in D.T.E. 04-80.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-17 Refer to Exh. BSG/PRM-1, at 21, and Exh. BSG/PRM-2, Sch. PRM-6, at 1-2. Please provide specific source information for all items. If the data is from the Company's 2004 Annual Return to the D.T.E., please note page, account, and line of the item. If an item is Company-provided, please provide the underlying documents and analysis related to the item.

Response: The amounts were taken from pages from the Company's 2004 Annual Return to the Department. The amounts outstanding, interest rate and maturity date are shown on page 31 (i.e., Accounts 221,223-224) of the Annual Return, and Amortization of Debt Issuance Expense is shown on page 26 (i.e., Accounts 181, 251) of the Annual Return.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-19 Refer to Exh. BSG/PRM-2, Sch. PRM-2, at 1, Operating Ratio for 2004. Please provide the analysis of this value and provide the source materials of all underlying data.

Response: The Operating Ratio was calculated with values from the D.T.E. Annual Return. The ratio represents operating expenses before income taxes divided by operating revenues (i.e., $483.271 million - $8.853 million = $474.418 million ÷ $510.457 million = 92.9%).

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-21 Refer to Exh. BSG/PRM-2, Sch. PRM-11, at 1. Please provide the formula used and explanation of the formula used to calculate the geometric mean.

Response: The geometric mean return, which is the compound rate of return over the period, sometimes expressed with the beginning and ending period values, is:

$$r_G = \left[\frac{V_n}{V_0} \right]^{\frac{1}{n}} - 1$$

where,
r_G = the geometric mean return;
V_n = the ending period value at time n;
V_0 = the initial value at time 0; and,
n = the inclusive number of periods.

As indicated by Ibbotson:

"In general, the geometric mean for any time period is less than or equal to the arithmetic mean. The two means are equal only for a return series that is constant (i.e., the same return in every period). For a non-constant series, the difference between the two is positively related to the variability or standard deviation of the returns. For example,…the difference between the arithmetic and geometric mean is much larger for risky large company stocks than it is for nearly riskless Treasury bills.

The arithmetic mean is the rate of return which, when compounded over multiple periods, gives the mean of the probability distribution of ending wealth values. …This makes the arithmetic mean return appropriate for forecasting, discounting, and computing the cost of capital. The discount rate that equates expected (mean) future values with the present value of an investment is that investment's cost of capital. The logic of using the discount rate as the cost of capital is reinforced by noting investors will discount their expected (mean) ending wealth values from an investment back to the present using the arithmetic mean, for the reason given above. They will, therefore, require such an expected (mean) return prospectively (that is, in the present looking toward the future) to commit their capital to the investment."

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-23 Refer to Exh. BSG/PRM-2, Sch. PRM-13. Please provide all underlying data and source materials.

Response: The requested source documents are provided at Attachment DTE-13-23. The annual returns shown on page 2 of Schedule PRM-13 of Exhibit BSG/PRM-13 were taken directly from the source documents. The data shown on page 1 of Schedule PRM-13 of Exhibit BSG/PRM-13 was taken from the Value Line Investment Survey for Windows CD-ROM dated, January 7, 2005. Due to a timing difference that arises from the print and electronic versions of the Value Line data, there may be variances in the data shown on page 1 of Schedule PRM-13 of Exhibit BSG/PRM-2 and the hardcopies that are attached.

ABM INDUSTRIES NYSE-ABM

RECENT PRICE 22.39 | P/E RATIO 22.4 (Trailing: 27.6 Median: 17.0) | RELATIVE P/E RATIO 1.17 | DIV'D YLD 1.9% | VALUE LINE

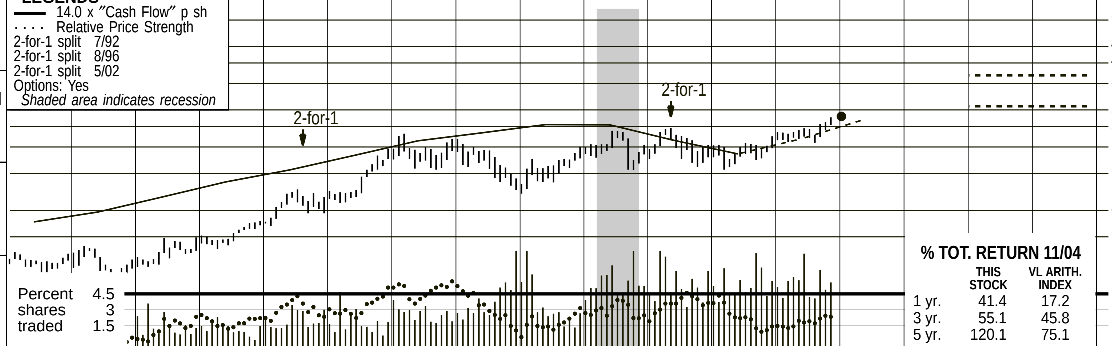
TIMELINESS 3 Raised 10/22/04
SAFETY 2 Raised 12/13/02
TECHNICAL 3 Lowered 7/30/04
BETA .75 (1.00 = Market)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	5.4	6.0	7.1	10.1	15.8	18.5	17.5	16.1	19.1	19.8	18.0
Low:	3.7	4.3	5.3	6.8	8.7	12.5	10.0	9.6	12.5	12.9	12.5

High/Low continued: 2004 High 22.5, Low 16.8

Target Price Range 2007 | 2008 | 2009

LEGENDS
— 14.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 7/92
2-for-1 split 8/96
2-for-1 split 5/02
Options: Yes
Shaded area indicates recession



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+55%)	14%
Low	25	(+10%)	5%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	3	0	0	1	0	2	0
to Sell	1	0	0	0	0	2	0	0	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	65	69	63
to Sell	47	39	53
Hld's(000)	30878	31415	32627

Percent shares traded 4.5 3 1.5

% TOT. RETURN 11/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	41.4	17.2
3 yr.	55.1	45.8
5 yr.	120.1	75.1

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
19.00	20.32	21.12	22.57	22.25	22.02	24.44	25.77	27.89	30.60	34.76	36.37	39.30	39.98	43.49	46.78	***49.80***	***51.85***	Revenues per sh A	***62.25***
.47	.49	.52	.55	.51	.56	.66	.78	.89	1.04	1.22	1.33	1.46	1.46	1.23	1.06	***1.25***	***1.55***	"Cash Flow" per sh	***2.15***
.23	.28	.31	.34	.32	.36	.41	.46	.53	.61	.72	.83	.93	.90	.92	.73	***.83***	***1.05***	Earnings per sh A B	***1.60***
.12	.12	.12	.12	.12	.13	.13	.15	.18	.20	.24	.28	.30	.33	.36	.38	***.40***	***.42***	Div'ds Decl'd per sh C	***.50***
.18	.19	.19	.17	.15	.18	.24	.27	.28	.32	.27	.43	.41	.35	.15	.24	***.25***	***.30***	Cap'l Spending per sh	***.35***
2.02	2.21	2.47	2.71	2.96	3.14	3.44	3.78	4.22	4.83	5.49	6.18	6.88	7.40	7.67	9.18	***9.60***	***10.20***	Book Value per sh D	***12.15***
30.62	31.42	32.16	33.04	34.06	35.11	36.20	37.46	38.98	40.93	43.20	44.81	46.00	48.78	50.40	48.37	***48.50***	***49.00***	Common Shs Outst'g E	***53.00***
12.3	14.6	14.1	11.3	14.3	12.6	11.8	12.7	15.5	16.9	20.6	17.5	13.0	17.6	17.6	20.4	***Bold figures are Value Line estimates***		Avg Ann'l P/E Ratio	***18.0***
1.02	1.11	1.05	.72	.87	.74	.77	.85	.97	.97	1.07	1.00	.85	.90	.96	1.16			Relative P/E Ratio	***1.20***
4.0%	2.9%	2.7%	3.1%	2.7%	2.7%	2.6%	2.6%	2.2%	1.9%	1.6%	1.9%	2.5%	2.1%	2.2%	2.5%			Avg Ann'l Div'd Yield	***1.7%***
						884.6	965.4	1086.9	1252.5	1501.8	1629.7	1807.6	1950.0	2192.0	2262.5	***2415***	***2540***	Revenues ($mill)	***3300***
						4.3%	4.8%	5.1%	5.3%	5.4%	5.5%	5.5%	5.2%	3.9%	3.1%	***3.9%***	***4.5%***	Operating Margin	***5.0%***
						9.3	11.5	13.7	16.1	19.6	20.7	23.5	26.3	15.2	14.8	***20.0***	***23.0***	Depreciation ($mill)	***27.0***
						15.2	18.2	21.7	27.2	33.9	39.7	44.3	45.0	46.7	36.4	***43.0***	***55.0***	Net Profit ($mill)	***90.0***
						39.5%	42.0%	43.0%	42.0%	41.0%	41.0%	39.0%	38.3%	32.6%	33.6%	***36.0%***	***36.0%***	Income Tax Rate	***36.0%***
						1.7%	1.9%	2.0%	2.2%	2.3%	2.4%	2.5%	2.3%	2.1%	1.6%	***1.8%***	***2.2%***	Net Profit Margin	***2.7%***
						90.1	95.7	120.0	137.7	166.5	184.3	224.2	229.5	210.7	243.9	***275***	***310***	Working Cap'l ($mill)	***500***
						25.3	22.6	33.7	38.4	33.7	28.9	36.8	.9	- -	- -	***Nil***	***Nil***	Long-Term Debt ($mill)	***Nil***
						130.7	148.2	170.7	204.2	243.5	283.4	322.7	361.2	386.7	444.0	***465***	***500***	Shr. Equity ($mill)	***650***
						10.8%	11.7%	11.3%	11.6%	12.7%	12.9%	12.7%	12.8%	12.1%	8.2%	***9.0%***	***11.0%***	Return on Total Cap'l	***13.5%***
						11.6%	12.3%	12.7%	13.3%	13.9%	14.0%	13.7%	12.5%	12.1%	8.2%	***9.0%***	***11.0%***	Return on Shr. Equity	***13.5%***
						8.1%	8.6%	8.8%	9.4%	9.8%	9.6%	9.4%	8.0%	7.5%	4.0%	***4.5%***	***6.5%***	Retained to Com Eq	***9.5%***
						34%	33%	33%	32%	32%	33%	33%	36%	38%	51%	***48%***	***40%***	All Div'ds to Net Prof	***32%***

CAPITAL STRUCTURE as of 7/31/04
Total Debt None
LT Debt None

Leases, Uncapitalized Annual rentals $44.0 mill.
No Defined Benefit Pension Plan
Pfd Stock None

Common Stock 48,520,153 shs.
as of 8/31/04

MARKET CAP: $1.1 billion (Mid-Cap)

CURRENT POSITION ($MILL.)	2002	2003	7/31/04
Cash Assets	19.4	110.9	49.5
Receivables	318.4	287.9	307.9
Inventory (FIFO)	30.1	21.4	21.8
Other	69.9	80.4	79.4
Current Assets	437.8	500.6	458.6
Accts Payable	51.6	38.1	40.5
Debt Due	- -	- -	- -
Other	175.5	218.6	204.4
Current Liab.	227.1	256.7	244.9

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Revenues	7.0%	7.0%	*6.0%*
"Cash Flow"	9.0%	3.5%	*9.5%*
Earnings	9.5%	6.5%	*12.0%*
Dividends	11.0%	11.5%	*6.5%*
Book Value	10.5%	11.0%	*7.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2001	470.4	490.5	492.5	496.6	1950.0
2002	527.5	530.2	549.5	584.8	2192.0
2003	552.4	562.5	569.1	578.5	2262.5
2004	570.8	590.3	623.8	***630.1***	***2415***
2005	***620***	***625***	***640***	***655***	***2540***

Fiscal Year Ends	EARNINGS PER SHARE A B Jan.31	Apr.30	Jul.31	Oct.31	Full Fiscal Year
2001	.17	.24	.26	.23	.90
2002	.16	.27	.25	.24	.92
2003	.08	.18	.21	.26	.73
2004	.14	.14	.27	***.28***	***.83***
2005	***.18***	***.25***	***.29***	***.33***	***1.05***

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.078	.078	.078	.078	.31
2001	.083	.083	.083	.083	.33
2002	.09	.09	.09	.09	.36
2003	.095	.095	.095	.095	.38
2004	.10	.10	.10	.10	

BUSINESS: ABM Industries is the largest, publicly traded facility services contractor in the United States. Company performs air-conditioning, elevator, engineering, janitorial, lighting, mechanical, parking, and security services for thousands of commercial, industrial, and institutional customers in hundreds of cities across North America. Foreign sales (mostly Canada) about 50% of total. Depreciation rate: 14.2%. Has about 64,000 employees. Officers/directors own about 23% of stock; Theodore Rosenberg Trusts, 9.9%; Sydney Rosenberg Trust, 9.2% (2/04 Proxy). Chairman: Martinn Mandles. CEO and President: Henrik Slipsager. Incorporated: DE. Address: 160 Pacific Ave., Suite 222, San Francisco, CA 94111. Telephone: 415-733-4000. Internet: www.abm.com.

The business environment is still proving difficult for ABM Industries, but things do appear to be looking up. Although the economy has slowed in its advance somewhat in recent quarters, we think growth will remain in the respectable 3.0%–3.5% range throughout 2005. The job market is gaining traction, corporate balance sheets are in good shape, and cash flows are strong. Overall, we look for corporate profits to continue to climb in the months ahead. Office occupancy rates stand to grow sufficiently to positively impact ABM's top line. Competition, especially for national contracts, will undoubtedly persist. Some contracts signed will probably come with price concessions, but not to the same extent as in the past. In fact, we think the company will be able to increase prices in some areas.

Gross margins should widen. The stiff competition that has led to price erosion in the industry and hurt ABM's gross profits in recent years appears to now be abating somewhat. And management's efforts to eliminate or renegotiate the worst of its underperforming contracts have proven beneficial.

Profitability gains elsewhere should also help to lift the bottom line. A number of cost-cutting measures should keep the SG&A line in check. All told, we look for share profits to rise by 27%, to $1.05, in fiscal 2005 (began November 1st).

Long-term growth prospects are decent. The company mainly focused on servicing office buildings in the past. In recent years, however, ABM has widened its reach to include schools, shopping centers, and industrial parks. The new clientele, most of whom had performed janitorial and maintenance duties in-house, have found outsourcing such tasks to be more cost-effective. This developing situation does't appear to be merely cyclical, governed by a short-term corporate need to cut expenses, but more secular, driven by increasing competition. Demand for ABM's services should continue to grow in the coming years.

This neutrally ranked stock's share price fairly reflects the good 3- to 5-year profit growth that we project for ABM Industries. Capital appreciation potential to 2007–2009 is about average.

Warren Thorpe *December 10, 2004*

(A) Fiscal year ends October 31st. Quarterly 2002 and 2003 figures were restated to reflect the acquisition of Lakeside and the sale of elevator operations, respectively. (B) Diluted earnings 1998 and thereafter; basic 1997 and earlier. Excludes nonrecurring gains: '89, 2¢; '92, 9¢; 2001, 50¢. Next earnings report due late December. (C) Dividends historically paid early February, May, August, and November. (D) Includes intangible assets of $202 million, or $4.18/share, at 10/31/03. (E) In millions, adjusted for stock splits.

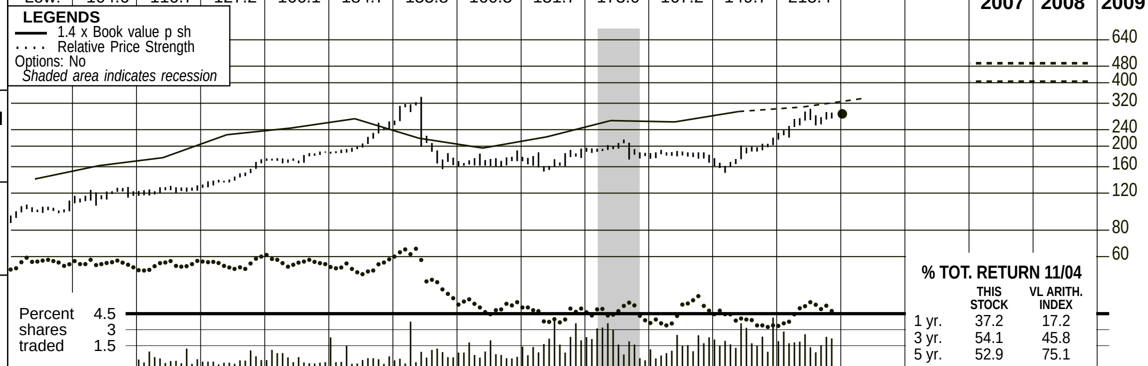
Company's Financial Strength	B++
Stock's Price Stability	85
Price Growth Persistence	80
Earnings Predictability	85

ALLEGHANY CORP. NYSE-Y

RECENT PRICE 285.00 | P/E RATIO 33.6 (Trailing: 16.2 Median: NMF) | RELATIVE P/E RATIO 1.75 | DIV'D YLD Nil | VALUE LINE

TIMELINESS 4 Lowered 12/24/04
SAFETY 1 New 9/24/04
TECHNICAL 3 Lowered 10/22/04
BETA .55 (1.00 = Market)

High:	128.4	130.5	173.7	189.1	262.7	342.8	190.9	195.2	215.5	192.2	219.9	300.8
Low:	104.6	116.7	127.2	166.1	184.7	155.8	160.3	151.7	173.0	167.2	149.7	215.4



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	495	(+75%)	15%
Low	405	(+40%)	9%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	2	0	0	2	0	0	0	0	0
to Sell	1	0	0	0	2	0	0	1	0

Institutional Decisions

	1Q2004	2Q2004	3Q2004
to Buy	50	76	51
to Sell	65	51	46
Hld's(000)	4684	4777	4796

Alleghany Corporation traces its roots to the 1920s and the Van Sweringen brothers. The Kirby family's control dates back to 1937. Originally a railroad holding company, Alleghany is now, primarily, an insurance concern, with its overarching tenet to increase intrinsic value per share over the long term. Former operations include Chicago Title, Underwriters Re, and Investors Diversified Services (IDS). Alleghany's dividend policy is an annual 2% stock dividend.

1994	1995	1996	1997	1998	1999	2000	2001B	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
- -	- -	- -	- -	- -	- -	- -	- -	16.95	57.53	***102.60***	***112.90***	P/C Prem Earned p sh	***143.75***
- -	- -	- -	- -	- -	- -	- -	- -	NMF	3.38	***8.05***	***10.00***	Investment Inc p sh	***15.00***
- -	- -	- -	- -	- -	- -	- -	- -	d2.73	8.91	***13.35***	***24.25***	Underwriting Inc p sh	***28.75***
8.54	10.51	10.71	6.39	7.78	12.44	4.42	29.81	7.34	21.79	***9.90***	***18.00***	Earnings per sh A C	***24.50***
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	***Nil***	***Nil***	Div'ds Decl'd per sh	***Nil***
126.20	162.03	174.53	192.97	156.25	139.97	158.38	189.19	186.16	208.53	***219.35***	***242.35***	Book Value per sh E	***320.00***
8.09	8.15	8.16	8.14	7.98	7.92	7.36	7.35	7.41	7.49	***7.70***	***7.75***	Common Shs Outst'g D	***8.00***
98%	89%	101%	110%	152%	121%	108%	102%	98%	89%	*Bold figures are*	*Value Line*	Price to Book Value	***140%***
14.5	13.7	16.4	33.2	30.6	13.6	38.5	6.5	24.9	8.5	*estimates*		Avg Ann'l P/E Ratio	***NMF***
.95	.92	1.03	1.91	1.59	.78	2.50	.33	1.36	.48			Relative P/E Ratio	***NMF***
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -			Avg Ann'l Div'd Yield	***Nil***
- -	- -	- -	- -	- -	- -	- -	- -	125.6	430.9	***790***	***875***	P/C Premiums Earned	***1150***
- -	- -	- -	- -	- -	- -	- -	- -	80.0%	58.1%	***66.0%***	***57.0%***	Loss to Prem Earned	***58.0%***
- -	- -	- -	- -	- -	- -	- -	- -	36.1%	26.4%	***21.0%***	***21.5%***	Expense to Prem Writ	***22.0%***
- -	- -	- -	- -	- -	- -	- -	- -	-16.1%	15.5%	***13.0%***	***21.5%***	Underwriting Margin	***20.0%***
26.5%	29.6%	31.5%	21.2%	30.4%	38.2%	NMF	NMF	4.5%	32.4%	***35.0%***	***35.0%***	Income Tax Rate	***35.0%***
68.4	85.3	87.1	51.4	63.4	100.1	34.0	219.1	54.8	162.4	***76.0***	***140***	Net Profit ($mill) C	***195***
- -	- -	- -	- -	- -	- -	- -	- -	3.2%	2.1%	***3.5%***	***4.0%***	Inv Inc/Total Inv	***6.5%***
3588	4123	4501	3700	4282	4485	2708	1875	2134	3518	***4300***	***4800***	Total Assets ($mill)	***6250***
1021.2	1320.6	1423.3	1570.9	1247.4	1107.9	1165.1	1390.6	1379.3	1562.8	***1690***	***1880***	Shr. Equity ($mill) G	***2550***
6.7%	6.5%	6.1%	3.3%	5.1%	9.0%	2.9%	15.8%	4.0%	10.4%	***4.5%***	***7.5%***	Return on Shr. Equity	***7.5%***
6.7%	6.5%	6.1%	3.3%	5.1%	9.0%	2.9%	15.8%	4.0%	10.4%	***4.5%***	***7.5%***	Retained to Com Eq	***7.5%***
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	***Nil***	***Nil***	All Div'ds to Net Prof	***Nil***

CAPITAL STRUCTURE as of 9/30/04
Total Debt $158.7 mill. **Due in 5 Yrs** $158.2 mill.
LT Debt $158.7 mill. **LT Interest** $5.2 mill.
(LT interest earned: 13.0x) (9% of Cap'l)

Leases, Uncapitalized: None
Pension Assets-12/03 $51.2 mill. **Oblig.** $73.7 mill.

Common Stock 7,676,197 shs. as of 10/31/04

MARKET CAP: $2.2 billion (Large Cap)

FINANCIAL POSITION ($MILL.)	2002	2003	9/30/04
Bonds	580.6	917.3	1327.4
Stocks	486.4	620.8	612.5
Cash	27.4	231.6	275.8
Other	1121.6	1748.8	2030.9
Total Assets	2216.0	3518.5	4246.6
Unearned Prems	64.1	644.1	735.2
Reserves	258.5	438.0	1153.8
Other	514.1	913.6	703.7
Total Liabilities	836.7	1995.7	2592.7

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Premium Inc	- -	- -	NMF
Invest Income	- -	- -	NMF
Earnings	5.5%	10.5%	NMF
Dividends	- -	- -	NMF
Book Value	6.5%	2.0%	9.0%

Cal-endar	QUARTERLY REVENUES ($ mill.) F Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	100.0	103.8	112.6	86.1	402.5
2002	158.0	141.8	143.4	133.7	576.9
2003	138.6	144.4	354.8	380.4	1018.2
2004	344.2	334.1	338.6	***343.1***	***1360***
2005	***360***	***350***	***375***	***365***	***1450***

Cal-endar	EARNINGS PER SHARE AC Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	59.29	d1.11	d28.23	d.14	29.81
2002	3.44	1.19	2.93	d.22	7.34
2003	1.04	.81	10.02	9.92	21.79
2004	5.27	5.95	d6.69	***5.37***	***9.90***
2005	***5.65***	***4.15***	***3.50***	***4.70***	***18.00***

Cal-endar	QUARTERLY DIVIDENDS PAID Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	NO CASH DIVIDENDS BEING PAID				
2001					
2002					
2003					
2004					

BUSINESS: Alleghany Corporation is engaged in the property & casualty and fidelity & surety insurance businesses. It operates through its subsidiary, Alleghany Insurance Holdings LLC, and its subsidiaries RSUI Group, Capitol Transamerica Corporation, Darwin Professional Underwriters, and Platte River Insurance. The company is also involved in the minerals business through its subsidiary World Minerals, Inc. Alleghany has about 2,400 employees. The Kirby family owns 35.4% of common; Franklin Mutual Advisers, 9.7%; The PNC Financial Services Group, 5.6%; All other officers and directors, 3.8% (3/04 proxy). Chairman: F.M. Kirby. CEO: John J. Burns, Jr. Inc.: DE. Address: 375 Park Ave., New York, NY 10152. Tel.: 212-725-1356. Web: www.alleghany.com.

Alleghany Corporation's 2004 results have been dampened by the year's active hurricane season. The third-quarter storms cost the company almost $100 million in aftertax catastrophe losses, net of reinsurance, as well as about $7 million in new reinsurance premiums. Book value, which had risen almost 5% during the year's first six months, retreated somewhat in the troubled quarter, and we now believe the full-year gain will wind up back at this 5% level. The storm losses largely stem from the company's RSUI Group subsidiary, which operates mainly in high-severity, albeit low-frequency, insurance products. This nature of claims can lead to large swings in quarterly profits, and has caused us to cut our earnings estimate for the year almost in half, from $18.95, to $9.90.

Absent any large catastrophe claims, 2005 results should show solid improvement. In the first half of 2004, before the hurricanes, Alleghany's combined ratio was under 70%, far below the 87% we expect for the year as a whole. In 2005, including an average allowance for catastrophe losses, we expect this ratio to drop to about 78.5%, auguring well for increased underwriting income. And although increased competition in property lines will likely temper results in that area, casualty rates should remain flat and professional liability rates may even rise over the next year. Also, after a large pickup so far in 2004, investment income may well grow another 25% in 2005 since interest rates should continue to rise.

Alleghany shares offer attractive appreciation potential out to late decade. Over the six to 12 months ahead, however, Y is ranked 4 (Below Average) for Timeliness. And with the Kirby family owning over 35% of its shares and a low average daily trading volume (less than 9,000 shares), the stock's below-average liquidity may prevent it from trading above 140% of book in the next year. Still, over the long term, the almost 10% annual book-value gains we expect should produce solid price gains to 2007-2009. Furthermore, risk-averse investors should find Alleghany Corporation's strong Safety, Financial Strength, and Price Stability ratings appealing.

Fritz R. Owens *December 24, 2004*

(A) Based on average shares outstanding. Excludes realized gains/losses from 2004; Q1, $2.81; Q2, $0.38; Q3, $0.57. Next earnings report due late February. (B) Insurance results prior to 2002 not material. (C) Includes after-tax profits from non-insurance subsidiaries. (D) In millions. (E) Includes intangibles. At 9/30/04: $230.5 mill., or $30.03 per share. (F) Quarterly revenues include insurance and non-insurance revenue. (G) Estimates assume normalized level of comprehensive income.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	5

ARROW INT'L NDQ-ARRO

RECENT PRICE **29.68** | P/E RATIO **20.6** (Trailing: 23.6 / Median: 19.0) | RELATIVE P/E RATIO **1.10** | DIV'D YLD **1.2%** | VALUE LINE

TIMELINESS **4** Lowered 7/2/04
SAFETY **2** Raised 6/4/04
TECHNICAL **4** Lowered 11/26/04
BETA .60 (1.00 = Market)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	12.9	17.6	24.4	23.4	19.9	20.9	15.8	20.6	20.2	24.3	28.8	34.0
Low:	8.8	9.3	14.9	10.5	13.4	10.4	9.3	14.0	16.5	15.6	19.3	23.6

2007-09 PROJECTIONS

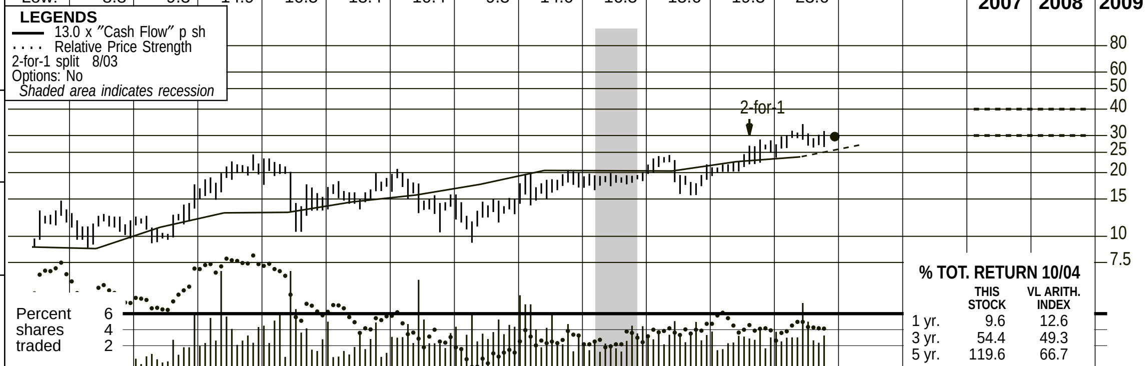
	Price	Gain	Ann'l Total Return
High	40	(+35%)	9%
Low	30	(Nil)	2%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	1	0	0	2	1	1	0	0	0
to Sell	3	3	2	4	3	3	3	2	2

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	58	48	34
to Sell	23	44	52
Hld's(000)	14960	15856	16064



% TOT. RETURN 10/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	9.6	12.6
3 yr.	54.4	49.3
5 yr.	119.6	66.7

Arrow International, Inc., was incorporated in 1975 to develop, manufacture, and market clinically advanced, disposable catheters and related products for use in critical care situations. In June, 1992, the co. made an initial public offering, selling 10 mill. shares at $4.50 a share through Morgan Stanley & Co. and Alex. Brown & Sons Inc. In May, 1995, the company made another public offering, selling 12 mill. shares (10 mill. of which were sold by shareholders) at $8.25 a share through Morgan Stanley & Co. and Alex. Brown & Sons Inc.

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
3.99	4.58	4.95	5.29	5.62	6.42	7.28	7.59	7.75	8.79	9.93	*10.55*	Sales per sh A	*13.00*
.85	.99	1.00	1.12	1.21	1.36	1.58	1.57	1.57	1.74	1.83	*2.10*	"Cash Flow" per sh	*2.80*
.65	.76	.71	.79	.88	.95	1.08	1.05	1.07	1.19	1.26	*1.55*	Earnings per sh B	*2.00*
.06	.07	.08	.09	.10	.11	.12	.13	.14	.20	.35	*.40*	Div'ds Decl'd per sh C	*.45*
.38	.37	.49	.32	.26	.42	.48	.47	.48	.38	.62	*.63*	Cap'l Spending per sh	*.75*
2.96	4.11	4.73	5.29	5.34	6.03	6.48	7.41	8.20	9.02	10.24	*11.60*	Book Value per sh D	*16.35*
44.82	46.46	46.46	46.45	46.45	46.12	44.00	44.00	43.94	43.29	43.60	*44.00*	Common Shs Outst'g E	*45.00*
17.0	22.2	26.5	19.1	19.4	13.9	14.7	17.7	19.0	17.2	21.9		Avg Ann'l P/E Ratio	*17.0*
1.11	1.49	1.66	1.10	1.01	.79	.96	.91	1.04	.98	1.17		Relative P/E Ratio	*1.15*
.5%	.4%	.4%	.6%	.6%	.8%	.8%	.7%	.7%	1.0%	1.3%		Avg Ann'l Div'd Yield	*1.3%*
178.8	213.0	229.9	245.9	260.9	295.9	320.3	334.0	340.8	380.4	433.1	*465*	Sales ($mill) A	*585*
29.9%	30.5%	29.6%	31.3%	31.1%	28.2%	29.9%	28.3%	25.9%	26.1%	24.9%	*26.0%*	Operating Margin	*28.0%*
9.2	11.7	13.6	15.2	15.6	18.6	20.9	22.7	21.7	23.2	23.8	*25.0*	Depreciation ($mill)	*35.5*
28.9	34.4	32.8	36.7	40.5	44.0	48.4	46.5	47.2	51.9	55.9	*68.0*	Net Profit ($mill)	*95.0*
36.0%	36.0%	37.0%	38.5%	36.6%	35.5%	33.5%	33.0%	32.5%	32.6%	32.5%	*32.5%*	Income Tax Rate	*32.5%*
16.1%	16.2%	14.3%	14.9%	15.5%	14.9%	15.1%	13.9%	13.8%	13.7%	12.9%	*14.6%*	Net Profit Margin	*15.9%*
32.4	52.9	55.1	81.5	100.2	107.9	90.1	125.6	174.5	163.9	209.6	*250*	Working Cap'l ($mill)	*350*
32.0	20.5	16.0	12.0	11.7	11.1	.9	.6	.3	3.7	Nil	*Nil*	Long-Term Debt ($mill)	*Nil*
132.8	190.9	219.8	245.9	247.9	278.2	285.2	326.1	360.4	390.6	446.3	*510*	Shr. Equity ($mill)	*735*
17.8%	16.6%	14.2%	14.4%	15.7%	15.3%	17.0%	14.3%	13.2%	13.2%	12.7%	*13.5%*	Return on Total Cap'l	*12.5%*
21.7%	18.0%	14.9%	14.9%	16.3%	15.8%	17.0%	14.3%	13.1%	13.3%	12.5%	*13.5%*	Return on Shr. Equity	*12.5%*
19.8%	16.4%	13.3%	13.3%	14.5%	14.0%	15.1%	12.6%	11.4%	11.6%	9.2%	*10.0%*	Retained to Com Eq	*10.0%*
9%	9%	11%	11%	11%	11%	11%	12%	13%	13%	26%	*26%*	All Div'ds to Net Prof	*22%*

CAPITAL STRUCTURE as of 8/31/04
Total Debt $29.1 mill. **Due in 5 Yrs** $29.1 mill.
LT Debt Nil **LT Interest** Nil

Leases, Uncapitalized Annual rentals $5.2 mill.
Pension Assets-8/04 $ 81.2 mill. **Oblig.** $ 88.3mill.
Pfd Stock None

Common Stock 43,785,357 shs.
as of 10/1/04
MARKET CAP: $1.3 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2002	2003	8/31/04
Cash Assets	33.1	47.0	94.2
Receivables	75.0	82.5	83.9
Inventory (FIFO)	85.9	90.4	96.1
Other	30.9	22.0	15.9
Current Assets	224.9	241.9	290.1
Accts Payable	9.7	11.7	14.8
Debt Due	16.4	28.7	29.1
Other	24.3	37.6	36.6
Current Liab.	50.4	78.0	80.5

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '02-'04 to '07-'09
Sales	10.0%	9.0%	*8.5%*
"Cash Flow"	9.0%	7.0%	*9.5%*
Earnings	7.5%	6.0%	*10.5%*
Dividends	17.0%	18.0%	*17.5%*
Book Value	14.5%	10.5%	*12.0%*

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Nov.30	Feb.28	May 31	Aug.31	Full Fiscal Year
2001	78.5	82.5	86.0	87.0	334.0
2002	84.3	85.8	86.7	84.0	340.8
2003	88.8	92.8	96.9	101.9	380.4
2004	103.1	108.3	108.8	112.9	433.1
2005	*113*	*115*	*117*	*120*	*465*

Fiscal Year Ends	EARNINGS PER SHARE AB Nov.30	Feb.28	May 31	Aug.31	Full Fiscal Year
2001	.25	.27	.27	.26	1.05
2002	.27	.29	.26	.25	1.07
2003	.26	.27	.33	.33	1.19
2004	.33	.35	.26	.32	1.26
2005	*.35*	*.37*	*.40*	*.43*	*1.55*

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.03	.03	.03	.03	.12
2001	.033	.033	.033	.033	.13
2002	.035	.035	.035	.035	.14
2003	.04	.04	.08	.08	.24
2004	.09	.09	.09		

BUSINESS: Arrow International, Inc. develops, manufactures, and markets clinically advanced medical products in two areas: critical care products (92% of 2004 sales), most of which are vascular access catheters and related devices; and cardiac care products (8%), which include catheters for monitoring and other related purposes, as well as intra-aortic balloon pumps and catheters. Acq'd Stepic Medical, 9/02; Diatek, 11/02; Klein-Baker Medical, 3/03; IMA, 7/03. 2004 sales: foreign, 35.4%; R&D: 7%. Has 3,193 emplys. Off./dir. own 45.6% of common, excl. R.L. McNeil (former dir.) Trust, 10.7% (12/03 proxy). Chrmn. & CEO: Carl Anderson, Jr. Pres.: Philip Fleck. Inc.: PA. Addr.: 3000 Bernville Rd., Reading, PA 19605. Tel.: 610-378-0131. Web: www.arrowintl.com.

Arrow International will likely launch several new products in fiscal 2005. (Years end August 31st.) Among the highlights are its *Stimucath* peripheral nerve-blocking catheter, which should rapidly penetrate hospital markets, as it eliminates the need for general anesthesia in certain procedures, thus making it a safer and less costly option for patients. We also expect the next-generation *AutoCat 2 WAVE IAB* system, for patients with arrhythmia, to capture market share as, thanks to new features, the systems require less patient monitoring.

Supporting the bottom line will be wider margins. Owing, at least in part, to the enhanced efficiency offered to hospitals, Arrow will be able to price its new products at a premium. Too, the company has been streamlining its own operations by consolidating facilities and shifting manufacturing operations to lower-cost areas such as Latin America and Eastern Europe. All told, we think Arrow's operating margin will widen to 26% in fiscal 2005, versus 24.9% in 2004, paving the way for share earnings of $1.55.

The company's cash hoard is sizable, and is trending higher. At the end of fiscal 2004, the company had cash assets of just over $94 million, twice the amount of liquid assets at yearend fiscal 2003. We think Arrow will likely use these resources to pursue strategic acquisitions and/or to continue its recent string of dividend increases. Additionally, Arrow has wiped its balance sheet clean of long-term debt. All obligations are now short term, further enhancing the company's financial flexibility. Indeed, these developments have prompted us to bump Arrow's Financial Strength rating up a notch, to A from B++. Coupled with its recently raised Safety rank (which rose to 2 in June), the overall quality of this stock is quite strong.

But these shares do not hold much appeal at the recent price. Indeed, the earnings advances we project out to late in the decade appear already discounted in the current quotation, rendering appreciation potential unexciting. Additionally, we don't think the stock will stand out in the coming 12 months, as its Timeliness rank suggests it will lag the broader market averages.

William C. Lewittes *December 3, 2004*

(A) Fiscal year ends August 31st.
(B) Diluted earnings. Excludes nonrecurring losses: '98, 69¢; '99, 18¢; '00, 5¢; '02, 19¢; '03, 15¢. Excl. extraord. loss: '92, 8¢. Next earnings report due late December.
(C) Dividends historically paid mid-March, June, Sept., and Dec.
(D) Includes intangibles. As of 8/31/04: $83.1 million, $1.91/share.
(E) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	50
Earnings Predictability	95

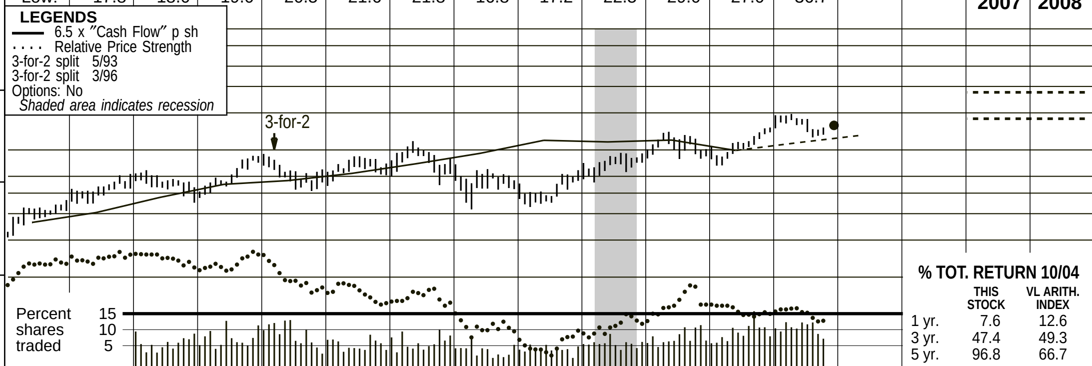
BANTA CORPORATION NYSE-BN

RECENT PRICE	P/E RATIO	(Trailing / Median)	RELATIVE P/E RATIO	DIV'D YLD	
41.85	15.6	(Trailing: 16.3, Median: 14.0)	0.83	1.6%	VALUE LINE

TIMELINESS 4 Lowered 8/6/04
SAFETY 2 Raised 2/21/03
TECHNICAL 4 Lowered 11/19/04
BETA .75 (1.00 = Market)

High:	24.7	25.7	30.1	30.7	29.9	35.3	27.4	25.7	31.0	39.1	40.9	47.5
Low:	17.8	18.0	19.0	20.5	21.6	21.8	16.8	17.2	22.5	29.0	27.0	36.7

Target Price Range
2007 | 2008 | 2009



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+45%)	11%
Low	45	(+10%)	4%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	80	78	62
to Sell	73	79	90
Hld's(000)	21529	21634	20780

% TOT. RETURN 10/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	7.6	12.6
3 yr.	47.4	49.3
5 yr.	96.8	66.7

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
16.84	19.92	20.14	19.20	21.40	23.05	26.88	33.16	35.00	40.36	47.27	49.50	62.59	58.95	54.12	55.00	*59.40*	*63.95*	Sales per sh	*76.10*
1.66	1.95	1.95	1.93	2.23	2.49	2.94	3.39	3.53	3.82	4.24	4.75	5.47	5.38	5.49	4.90	*5.35*	*5.80*	"Cash Flow" per sh	*7.35*
.76	.83	1.02	.96	1.19	1.35	1.55	1.75	1.63	1.73	1.80	1.99	2.35	2.32	2.35	2.42	*2.65*	*2.90*	Earnings per sh A	*4.00*
.20	.23	.25	.25	.27	.31	.35	.37	.44	.47	.51	.56	.60	.61	.64	.66	*.68*	*.70*	Div'ds Decl'd per sh B■	*.80*
1.45	1.96	1.77	1.07	1.11	2.10	2.88	2.07	1.95	2.12	1.96	3.25	3.28	2.03	1.22	2.74	*3.05*	*3.35*	Cap'l Spending per sh	*3.90*
5.88	6.82	7.20	7.71	8.67	9.75	10.98	12.55	13.58	13.90	14.51	13.70	15.10	16.47	17.95	19.91	*21.10*	*22.75*	Book Value per sh	*29.70*
28.23	28.53	28.68	29.45	29.79	29.99	30.19	30.84	30.97	29.79	28.26	25.83	24.57	24.73	25.25	25.79	*24.75*	*24.00*	Common Shs Outst'g C	*23.00*
12.6	12.6	10.0	12.6	13.2	15.2	14.4	13.8	15.1	15.4	15.9	11.4	8.7	11.7	14.3	14.0	*Bold figures are*		Avg Ann'l P/E Ratio	*13.0*
1.05	.95	.74	.80	.80	.90	.94	.92	.95	.89	.83	.65	.57	.60	.78	.81	*Value Line*		Relative P/E Ratio	*.85*
2.0%	2.2%	2.4%	2.1%	1.7%	1.5%	1.5%	1.5%	1.8%	1.8%	1.8%	2.5%	2.9%	2.2%	1.9%	2.0%	*estimates*		Avg Ann'l Div'd Yield	*1.5%*

CAPITAL STRUCTURE as of 10/2/04
Total Debt $93.8 mill. **Due in 5 Yrs** $40.0 mill.
LT Debt $68.3 mill. **LT Interest** $6.5 mill.
(LT interest earned: 16.0x) (12% of Cap'l)

Leases, Uncapitalized Annual rentals $24.5 mill.
Pension Assets-12/03 $128.9 mill
Oblig. $158.4 mill

Preferred stock None

Common Stock 24,927,307 shs.
as of 10/19/04
MARKET CAP: $1.0 billion (Mid Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
811.3	1022.7	1083.8	1202.5	1335.8	1278.3	1537.7	1457.9	1366.5	1418.5	*1470*	*1535*	Sales ($mill)	*1750*
15.4%	14.6%	13.9%	12.9%	12.3%	13.4%	12.4%	12.6%	13.7%	12.0%	*12.0%*	*12.0%*	Operating Margin	*13.0%*
41.5	51.1	58.3	62.1	66.9	68.2	75.7	75.4	78.4	63.8	*65.0*	*67.5*	Depreciation ($mill)	*75.0*
47.2	53.6	50.9	51.6	52.9	54.5	58.7	57.7	60.2	62.4	*67.5*	*71.5*	Net Profit ($mill)	*95.0*
40.0%	39.9%	39.5%	38.8%	38.5%	39.2%	39.2%	39.1%	39.0%	37.4%	*35.5%*	*35.5%*	Income Tax Rate	*36.0%*
5.8%	5.2%	4.7%	4.3%	4.0%	4.3%	3.8%	4.0%	4.4%	4.4%	*4.6%*	*4.7%*	Net Profit Margin	*5.4%*
101.4	187.9	219.7	165.3	158.1	110.5	166.4	188.8	274.4	304.4	*285*	*270*	Working Cap'l ($mill)	*330*
67.8	135.0	133.7	130.1	120.6	113.5	179.2	131.0	111.5	92.7	*70.0*	*55.0*	Long-Term Debt ($mill)	*35.0*
331.6	387.1	420.6	414.1	409.9	353.8	370.9	407.3	453.1	513.4	*520*	*545*	Shr. Equity ($mill)	*685*
12.5%	11.2%	10.1%	10.3%	10.9%	12.9%	12.0%	11.8%	11.5%	11.0%	*12.0%*	*12.5%*	Return on Total Cap'l	*13.5%*
14.2%	13.8%	12.1%	12.5%	12.9%	15.4%	15.8%	14.2%	13.3%	12.2%	*13.0%*	*13.0%*	Return on Shr. Equity	*14.0%*
11.1%	10.9%	8.9%	9.0%	9.3%	11.1%	11.8%	10.5%	9.7%	8.9%	*9.5%*	*10.0%*	Retained to Com Eq	*11.0%*
22%	21%	27%	27%	28%	28%	26%	26%	27%	27%	*25%*	*24%*	All Div'ds to Net Prof	*19%*

CURRENT POSITION ($MILL.)

	2002	2003	10/2/04
Cash Assets	154.8	181.1	134.0
Receivables	213.0	234.2	249.0
Inventory (LIFO)	69.4	75.2	92.7
Other	23.0	32.8	20.9
Current Assets	460.2	523.3	496.6
Accts Payable	102.6	132.8	124.1
Debt Due	19.4	19.1	25.5
Other	63.8	67.0	87.6
Current Liab.	185.8	218.9	237.2

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Sales	10.0%	6.5%	*5.0%*
"Cash Flow"	9.0%	6.5%	*5.5%*
Earnings	7.5%	6.5%	*9.0%*
Dividends	8.5%	6.0%	*4.0%*
Book Value	7.5%	5.5%	*8.5%*

QUARTERLY SALES ($ mill.)

Cal-endar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2001	372.8	337.4	376.6	371.1	1457.9
2002	332.8	333.5	352.1	348.1	1366.5
2003	336.4	336.8	351.6	393.7	1418.5
2004	373.1	341.1	380.3	*375.5*	*1470*
2005	*380*	*380*	*390*	*385*	*1535*

EARNINGS PER SHARE A

Cal-endar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2001	.41	.50	.76	.65	2.32
2002	.41	.52	.76	.66	2.35
2003	.46	.53	.75	.68	2.42
2004	.54	.60	.76	*.75*	*2.65*
2005	*.58*	*.65*	*.85*	*.82*	*2.90*

QUARTERLY DIVIDENDS PAID B■

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.15	.15	.15	.15	.60
2001	.15	.15	.16	.16	.62
2002	.16	.16	.16	.16	.64
2003	.16	.16	.17	.17	.66
2004	.17	.17	.17	.17	

BUSINESS: Banta Corporation is one of the largest printers in the United States. Prints educational and trade books, consumer and business catalogs, special-interest magazines, and direct marketing materials. It also offers prepress and supply-chain management services, multi-media and software packages, and sells a variety of healthcare products. Bought BG Turnkey Services 2/96. Acquired The Omnia Group 9/97. Operates 40 manufacturing facilities worldwide. Has about 8,300 employees and 1,725 shareholders. Officers & Directors own about 3.6% of stock (4/04 Proxy). Chairman, President & CEO: Stephanie Streeter. Incorporated: Wisconsin. Address: River Place, 225 Main Street, Box 8003, Menasha, WI 54952. Telephone: 920-751-7777. Internet: www.banta.com.

Banta's printing businesses should end the year on an up note. So far in 2004, margin improvements have occurred in all but one of the company's printing divisions. The direct marketing unit has been especially strong, and its earnings last quarter more than doubled those from the year before. Sales increased in all markets, including high-margin customization services. Also, Banta's catalog operation, which had been lagging recently, seems to have turned the corner after the company focused on improving its productivity last year. Catalogs can now be produced much more efficiently, and 60 new catalogs have been added so far in 2004 versus only 41 the year before. All told, we forecast BN's per-share earnings to be $2.65 in 2004, a rise of almost 10% over 2003's tally.

However, pricing pressures continue to weigh on the company. With an abundance of printing capacity throughout the industry, pricing will likely continue to constrain Banta's bottom line. Industry consolidation would likely help, but this is by no means assured to occur. And though the company should be able to boost its margins somewhat over the next 3 to 5 years, without increases in pricing, this will probably not be enough to sustain decent long-term earnings growth goals.

Banta does have a plan for growth. Management believes that maximizing efficiencies and focusing on key markets within its existing businesses will help position the company for success. Acquisitions are also planned, and could supply up to a third of the company's top-line growth. And after the success of its supply-chain management business, further diversification efforts are not out of the question.

Banta shares lack investment appeal at this time. The stock is ranked to lag the market in the year ahead, and its total-return potential over the haul to 2007-2009 remains below the *Value Line* median at the stock's current price. Although the company has improved its operating margins and has a growth strategy in place, pricing pressures may well continue to restrain results. Even risk-averse investors who may be attracted by BN's Above-Average Safety rank should be able to find better deals elsewhere.

Fritz R. Owens *November 19, 2004*

(A) Primary earnings through '97; then diluted. Excludes n/r gains/(losses): '89, 35¢; '02, (64¢); '03, (61¢). Excludes losses from discontinued ops.: '90, 39¢; '91, 26¢; '97, 27¢. Next earnings report due late January.
(B) Dividends historically paid in late January, early May, late July, and late October. ■ Dividend reinvestment plan available.
(C) In millions, adjusted for stock splits.

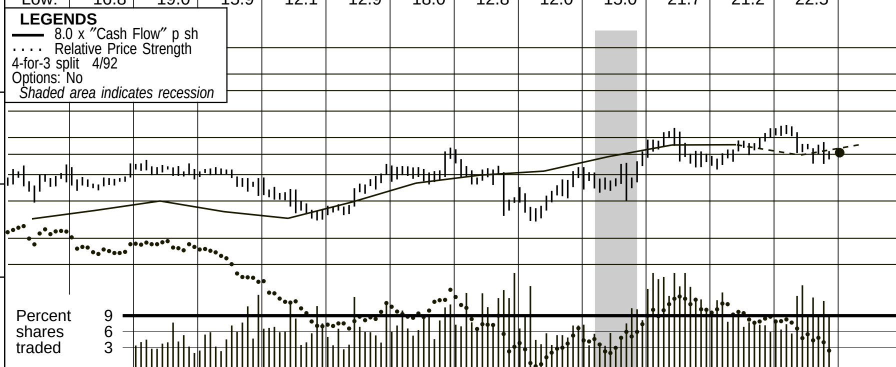
Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	45
Earnings Predictability	100

BOB EVANS FARMS NDQ-BOBE

RECENT PRICE **25.40** | P/E RATIO **20.3** (Trailing: 15.2, Median: 15.0) | RELATIVE P/E RATIO **1.06** | DIV'D YLD **1.9%** | VALUE LINE

TIMELINESS 5 Lowered 6/4/04
SAFETY 2 Raised 3/14/03
TECHNICAL 3 Raised 11/26/04
BETA .80 (1.00 = Market)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	22.6	23.5	21.8	19.4	22.5	26.9	26.4	21.7	25.8	33.3	33.3	34.4
Low:	16.8	19.0	15.9	12.1	12.9	18.0	12.8	12.0	15.0	21.7	21.2	22.5



Target Price Range 2007 | 2008 | 2009
80 60 50 40 30 25 20 15 10 7.5

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+55%)	14%
Low	30	(+20%)	7%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	1	0	0	0	1	1	0
to Sell	0	0	1	1	0	0	0	0	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	59	72	60
to Sell	61	56	64
Hld's(000)	23507	24094	25591

% TOT. RETURN 11/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	-17.0	17.2
3 yr.	20.5	45.8
5 yr.	84.2	75.1

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
9.81	10.76	12.03	13.30	15.59	16.62	18.12	19.08	19.77	21.28	24.04	27.20	29.42	30.09	31.64	33.99	40.45	42.95	Sales per sh A	50.70
1.11	1.06	1.22	1.36	1.54	1.69	1.87	1.67	1.55	1.86	2.28	2.49	2.60	3.04	3.46	3.47	3.10	3.50	"Cash Flow" per sh	4.80
.72	.65	.80	.94	1.03	1.15	1.27	1.02	.86	1.09	1.39	1.38	1.44	1.84	2.10	2.03	1.25	1.55	Earnings per sh B	2.60
.17	.19	.20	.21	.25	.27	.29	.32	.32	.32	.35	.36	.36	.38	.43	.47	.48	.48	Div'ds Decl'd per sh C■	.60
.87	.78	.69	1.08	1.24	1.73	2.24	1.92	1.44	1.15	1.70	2.73	2.87	2.75	3.08	4.00	4.25	3.50	Cap'l Spending per sh	4.00
4.80	5.20	5.80	6.56	7.38	8.29	9.31	9.68	10.17	10.97	11.67	12.09	13.13	14.77	16.26	17.88	18.50	19.35	Book Value per sh	24.00
42.76	42.23	41.68	41.82	41.90	42.06	42.33	42.28	41.58	41.67	40.28	35.46	34.80	35.29	34.49	35.24	35.50	35.50	Common Shs Outst'g D	36.00
15.3	15.7	13.5	17.2	18.0	17.2	16.3	17.8	16.1	17.3	15.2	12.2	12.2	12.1	12.2	14.6	Bold figures are		Avg Ann'l P/E Ratio	14.0
1.27	1.19	1.00	1.10	1.09	1.02	1.07	1.19	1.01	1.00	.79	.70	.79	.62	.67	.83	Value Line		Relative P/E Ratio	.95
1.6%	1.8%	1.8%	1.3%	1.3%	1.4%	1.4%	1.8%	2.3%	1.7%	1.7%	2.1%	2.1%	1.7%	1.7%	1.6%	estimates		Avg Ann'l Div'd Yield	1.6%

CAPITAL STRUCTURE as of 7/30/04
Total Debt $249.6 mill. **Due in 5 Yrs** $62.9 mill.
LT Debt $213.3 mill. **LT Interest** 9.0 mill.
(25% of Cap'l)

No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 35,289,784 shs.

MARKET CAP: $900 million (Small Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
767.0	806.6	822.2	886.8	968.5	964.6	1023.8	1061.8	1091.3	1198.0	1435	1525	Sales ($mill) A	1825
14.7%	11.9%	10.5%	12.0%	13.0%	12.5%	12.0%	13.6%	14.8%	13.6%	10.0%	10.5%	Operating Margin	12.5%
25.8	27.6	28.5	31.6	34.2	35.4	39.8	42.0	44.2	50.1	66.0	69.0	Depreciation ($mill)	80.0
53.5	43.0	36.1	45.7	57.6	52.9	50.8	65.3	75.1	72.0	45.0	55.0	Net Profit ($mill)	95.0
38.4%	37.4%	36.7%	37.0%	37.0%	37.0%	35.5%	34.0%	35.0%	35.7%	36.0%	35.5%	Income Tax Rate	35.5%
7.0%	5.3%	4.4%	5.2%	5.9%	5.5%	5.0%	6.2%	6.9%	6.0%	3.1%	3.6%	Net Profit Margin	5.2%
d33.2	d57.5	d67.5	d40.9	d35.4	d129.4	d114.4	d85.8	d93.7	d98.3	d140	d160	Working Cap'l ($mill)	d175
2.3	1.9	1.6	1.2	.8	.4	36.0	32.3	28.3	24.3	215	215	Long-Term Debt ($mill)	200
393.9	409.2	422.8	457.2	470.1	428.8	457.1	521.4	560.9	630.2	660	685	Shr. Equity ($mill)	865
13.5%	10.5%	8.5%	10.0%	12.2%	12.3%	10.4%	12.0%	12.9%	11.1%	5.5%	6.5%	Return on Total Cap'l	9.0%
13.6%	10.5%	8.5%	10.0%	12.2%	12.3%	11.1%	12.5%	13.4%	11.4%	7.0%	8.0%	Return on Shr. Equity	11.0%
10.5%	7.3%	5.4%	7.1%	9.3%	9.1%	8.3%	10.0%	10.7%	8.8%	4.5%	5.5%	Retained to Com Eq	8.5%
22%	31%	37%	29%	24%	26%	25%	20%	20%	23%	39%	31%	All Div'ds to Net Prof	23%

CURRENT POSITION ($MILL.)

	2002	2003	7/30/04
Cash Assets	9.1	4.0	18.2
Receivables	11.1	13.4	13.0
Inventory (FIFO)	16.9	19.5	23.0
Other	10.8	10.6	13.2
Current Assets	47.9	47.5	67.4
Accts Payable	10.4	12.4	20.6
Debt Due	36.3	38.6	36.3
Other	94.9	94.8	115.8
Current Liab.	141.6	145.8	172.7

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Sales	7.5%	8.0%	8.0%
"Cash Flow"	8.0%	12.0%	6.5%
Earnings	6.5%	12.5%	4.5%
Dividends	6.0%	5.5%	6.0%
Book Value	8.0%	8.5%	6.5%

QUARTERLY SALES ($ mill.) A

Fiscal Year Begins	Jul.Per	Oct.Per	Jan.Per	Apr.Per	Full Fiscal Year
2001	267.4	271.1	262.8	260.5	1061.8
2002	277.0	277.6	271.2	265.5	1091.3
2003	295.5	297.2	291.4	313.9	1198.0
2004	320.6	376.0	370	368.4	1435
2005	380	385	380	380	1525

EARNINGS PER SHARE A B

Fiscal Year Begins	Jul.Per	Oct.Per	Jan.Per	Apr.Per	Full Fiscal Year
2001	.43	.47	.46	.49	1.84
2002	.57	.56	.47	.50	2.10
2003	.55	.51	.44	.54	2.03
2004	.40	.30	.25	.30	1.25
2005	.40	.40	.37	.38	1.55

QUARTERLY DIVIDENDS PAID C ■

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.09	.09	.09	.09	.36
2001	.09	.09	.09	.10	.37
2002	.10	.10	.11	.11	.42
2003	.11	.11	.12	.12	.46
2004	.12	.12	.12	.12	

BUSINESS: Bob Evans Farms, Inc. operates, as of 4/30/04, 558 family-style restaurants in the East, Midwest, and Southwest. Acquired Mimi's (81 restaurants in western states), 7/04. Also manufactures and distributes pork sausage and other food products under the Bob Evans Farms and Owens Farms brand names. Has processing plants in OH (3), MI, IL, and TX. Rests. accounted for 82% of '03 sales; 85% of op. profits; food products: 18%; 15%. Owns all plants and most restaurants. 2003 depr. rate: 4.4%. Has about 40,750 empls., 42,000 stockholders. Off./dir. control 5.1% of common; Ariel Cap'l, 16.6% (8/04 Proxy). Pres. & CEO: Stewart K. Owens. Inc.: DE. Addr.: 3776 South High St., Columbus, OH 43207. Tel.: 614-491-2225. Web: www.bobevans.com.

Bob Evans Farms is taking its lumps. Sales have advanced nicely so far in fiscal 2004 (ends April 29, 2005), thanks largely to last July's acquisition of Mimi's, an 85-unit chain. Earnings, though, have been moving in the opposite direction. High hog prices, up 32% year over year in the October quarter, continue to weigh on results in the food products division. More troubling and costly, however, has been the erosion in same-store sales at the 580-unit flagship chain.

Fiscal 2005 will likely be a transition year for Bob Evans restaurants. Higher gas prices and a sluggish Midwest economy have likely made matters worse for the chain in 2004, but they are probably not the only factors behind the decline in customer visits, which has been evident for much of the decade. Of late, efforts to reverse this trend have taken on more urgency, with management testing and implementing numerous initiatives aimed at improving service levels, enhancing the chain's value perception, and developing appealing new products. These moves will likely result in some incremental costs, though it may well take several quarters to determine how well they resonate with consumers. All told, the weak first-half results and uncertain near-term prospects for the restaurant segment have prompted us to reduce our 2004 and 2005 share-net estimates by $0.40 each.

The company is cutting new store development at the flagship chain from about 40 units this year, to about 20 in fiscal 2005. Instead, management will accelerate its efforts to remodel or rebuild existing restaurants. Too, expansion of Mimi's, which has posted higher same-store sales in recent months, will pick up modestly. Overall, capital spending is likely to decline some in 2005, though we don't expect Bob Evans to generate cash for debt reduction or share repurchases.

These shares have limited appeal at the moment in our view. The stock is pegged to lag the year-ahead market, and total-return potential to late decade is unexceptional. The scaled-back development plans, though probably prudent in view of the weak trends at existing restaurants, have prompted us to reduce our 3- to 5-year sales and earnings projections.

Robert M. Greene, CFA December 10, 2004

(A) Fiscal year ends last Friday in April of following year. (B) Based on avg. shares out. through 1996, diluted thereafter. Excludes nonrecurring gains/(loss): '90, 5¢; '95, (33¢); '01, 7¢. Egs. may not add due to rounding. Next earnings report due mid-February.
(C) Approximate div'd payment dates are in early March, June, September, December.
■ Div'd reinvestment plan available.
(D) In millions, adjusted for stock split and dividend.

Company's Financial Strength	B++
Stock's Price Stability	85
Price Growth Persistence	50
Earnings Predictability	85

BOK FINANCIAL NDQ-BOKF

RECENT PRICE **49.05** | P/E RATIO **16.9** (Trailing: 19.9 Median: 11.0) | RELATIVE P/E RATIO **0.88** | DIV'D YLD **Nil** | VALUE LINE

TIMELINESS	3	New 9/24/04
SAFETY	2	New 9/24/04
TECHNICAL	3	Lowered 11/19/04

BETA .80 (1.00 = Market)

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	75	(+55%)	*11%*
Low	55	(+10%)	*3%*

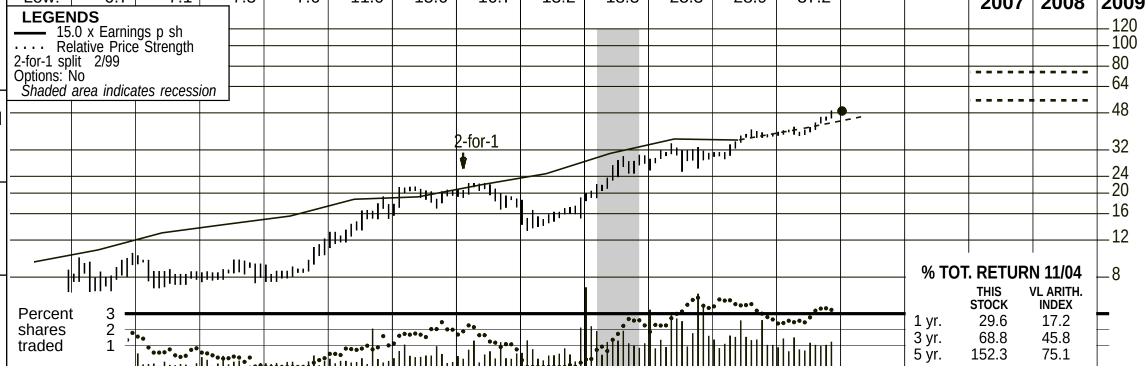
Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	2	3	5	2	1	1	1	10	4
to Sell	1	3	2	2	1	0	2	1	2

Institutional Decisions

	1Q2004	2Q2004	3Q2004
to Buy	33	39	44
to Sell	31	42	33
Hld's(000)	10343	10332	10657

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	10.4	10.1	9.7	12.2	19.3	21.5	22.4	19.1	30.4	34.4	40.1	49.5
Low:	6.7	7.1	7.5	7.6	11.0	15.6	16.7	13.2	18.3	25.3	28.9	37.2



% TOT. RETURN 11/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	29.6	17.2
3 yr.	68.8	45.8
5 yr.	152.3	75.1

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
- -	- -	- -	.41	.63	.72	.86	.95	1.04	1.25	1.28	1.46	1.65	2.06	2.41	2.38	*2.71*	*3.10*	Earnings per sh A	*4.35*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	*Nil*	*Nil*	Div'ds Decl'd per sh	*Nil*
- -	- -	- -	5.03	3.31	4.16	4.44	5.71	6.84	8.12	9.51	9.93	12.80	14.98	19.02	20.60	*23.85*	*25.80*	Book Value per sh	*40.10*
- -	- -	- -	21.35	41.85	46.25	50.00	50.22	50.46	50.80	50.69	53.62	53.78	54.31	56.72	58.92	*60.00*	*62.00*	Common Shs Outst'g B	*65.00*
- -	- -	- -	21.4	7.6	11.8	10.0	9.3	8.9	12.1	15.8	14.2	9.8	12.2	13.0	14.9	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*15.0*
- -	- -	- -	1.37	.46	.70	.66	.62	.56	.70	.82	.81	.64	.63	.71	.85			Relative P/E Ratio	*1.00*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -			Avg Ann'l Div'd Yield	*Nil*

CAPITAL STRUCTURE as of 9/30/04
LT Debt $1497.7 mill. **LT Interest** $12.0 mill.
Due in 5 Yrs. None

Leases, Uncapitalized Annual rentals $12.4 mill.
No defined Benefits Pension Plan

Pfd Stock $15.0 mill.
Common Stock 59,163,047 shares

MARKET CAP: $2.9 billion (Large Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
3898.3	4221.9	4620.7	5399.6	6809.4	8374.0	9748.3	11130	12245	13582	*14800*	*16200*	Total Assets ($mill)	*20500*
1805.8	2156.1	2349.4	2712.0	3487.0	4567.3	5435.2	6193.5	6784.9	7355.3	*8000*	*9100*	Loans ($mill)	*12500*
119.0	115.3	127.4	155.6	182.3	236.1	268.9	326.8	368.2	390.0	*400*	*440*	Net Interest Inc ($mill)	*550*
.2	.2	4.3	9.0	14.5	10.4	17.2	37.6	33.7	35.6	*20.0*	*25.0*	Loan Loss Prov'n ($mill)	*40.0*
74.4	91.2	105.3	129.7	161.9	188.5	199.1	259.3	324.0	303.0	*320*	*355*	Noninterest Inc ($mill)	*450*
133.5	142.2	159.0	195.2	217.8	280.5	303.0	353.2	425.6	410.1	*425*	*440*	Noninterest Exp ($mill)	*480*
45.1	49.2	54.1	64.6	74.7	89.2	100.1	126.2	150.4	158.4	*180*	*215*	Net Profit ($mill)	*300*
24.5%	23.1%	22.1%	20.3%	33.3%	33.3%	32.2%	35.4%	35.4%	36.0%	*34.0%*	*35.0%*	Income Tax Rate	*35.0%*
1.16%	1.17%	1.17%	1.20%	1.10%	1.07%	1.03%	1.13%	1.23%	1.17%	*1.25%*	*1.30%*	Return on Total Assets	*1.45%*
23.0	- -	- -	- -	- -	- -	1031.0	1407.3	1243.4	1171.0	*1800*	*2000*	Long-Term Debt ($mill)	*2200*
236.9	301.6	360.0	435.5	505.1	557.2	703.6	828.5	1093.6	1228.6	*1415*	*1650*	Shr. Equity ($mill)	*2600*
6.1%	7.1%	7.8%	8.1%	7.4%	6.7%	7.2%	7.4%	8.9%	9.0%	*9.5%*	*10.0%*	Shr. Eq. to Total Assets	*12.5%*
46.3%	51.1%	50.8%	50.2%	51.2%	54.5%	55.8%	55.6%	55.4%	54.2%	*54.0%*	*56.0%*	Loans to Tot Assets	*61.0%*
19.0%	16.3%	15.0%	14.8%	14.8%	16.0%	14.2%	15.2%	13.8%	12.9%	*13.0%*	*13.0%*	Return on Shr. Equity	*11.5%*
19.6%	16.6%	15.3%	15.3%	15.3%	16.5%	14.5%	15.5%	13.9%	13.0%	*13.0%*	*13.0%*	Retained to Com Eq	*12.0%*
4%	3%	3%	2%	1%	2%	- -	- -	- -	- -	*Nil*	*Nil*	All Div'ds to Net Prof	*Nil*

ASSETS($Mill.)	2002	2003	9/30/04
Loans	6784.9	7355.3	7784.2
Funds Sold	19.5	14.4	49.7
Securities	4136.4	4714.6	4914.4
Other Earning	3.7	30.9	12.7
Other	1300.5	1466.5	1617.0
LIABILITIES($Mill.)			
Deposits	8128.5	9219.9	9539.4
Funds Borrowed	1567.7	1609.7	1717.6
Long-Term Debt	1243.4	1171.0	1022.3
Shr. Equity	1093.6	1228.6	1356.7
Other	211.8	352.5	742.0
Total	12245.0	13581.7	14378.0
Loan Loss Resrv.	116.1	128.6	129.1

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Loans	12.0%	16.5%	*16.5%*
Earnings	14.5%	14.0%	*11.5%*
Dividends	- -	- -	*Nil*
Book Value	16.0%	17.5%	*14.0%*
Total Assets	11.5%	14.5%	*11.0%*

Cal-endar	LOANS ($ mill.) Mar 31	Jun 30	Sep 30	Dec 31	Full Year
2001	5791	5968	6122	6193	
2002	6143	6205	6484	6785	
2003	6857	6920	7165	7355	
2004	7371	7396	7784	*8000*	
2005	*8100*	*8400*	*8800*	*9100*	

Cal-endar	EARNINGS PER SHARE A Mar 31	Jun 30	Sep 30	Dec 31	Full Year
2001	.45	.47	.64	.50	2.06
2002	.54	.55	.71	.61	2.41
2003	.62	.69	.58	.49	2.38
2004	.58	.68	.72	*.73*	*2.71*
2005	*.68*	*.78*	*.81*	*.83*	*3.10*

Cal-endar	QUARTERLY DIVIDENDS PAID Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000					
2001	NO CASH DIVIDENDS BEING PAID				
2002					
2003					
2004					

BUSINESS: BOK Financial Corporation, is a bank holding company. BOK Financial operates four principal lines: corporate banking, consumer banking, mortgage banking, and trust services from 128 locations. BOK Financial's banking and bank-related activities are primarily performed through Bank of Oklahoma, N.A. (BOK); Bank of Texas, N.A.; Bank of Albuquerque, N.A.; Bank of Arkansas, N.A., and Colorado State Bank and Trust, N.A. The company's subsidiaries include BOSC, Inc., a full-service securities firm. Has 3,449 employees. At 6/30/04, loan loss reserve was 1.73% of loans; nonperforming assets, .77%. President & CEO: Stanley Lybarger. Inc.: OK. Address: Bank of Oklahoma Tower, P.O. Box 2300, Tulsa, OK 74192. Tel.: 918-588-6000. Internet: www.bokf.com

BOK Financial had a solid September period. Third-quarter earnings rebounded after a slight dip in the year-ago period. Earnings in the third quarter jumped nicely in the year-over-year comparison, with some help coming from a 16% increase from net interest income. A 16 basis points expansion of the net interest margin was a key factor behind the increase.

Fees and commissions will likely not help increase the bottom line very much over the next few quarters. Fee revenue in the September period was down 2%, hurt by a decrease in mortgage-origination activity. We look for weakness on this front to continue, as the Federal Funds rate continues its march upward. Note, that we expect the overnight lending rate to rise to 3% within a year (currently at 2.25%). This may well further hinder mortgage-origination activity. However, BOK has a diversified fee-generating business, and increased revenue from trust fees, as well as higher transaction-card revenues, should somewhat offset the slowdown of revenue from lending fees.

Asset quality will likely continue to improve gradually over the next few quarters, assuming the overall economic environment continues to steadily advance. We expect gross domestic product to grow at a 3.0%–3.5% rate over the next few quarters, which should help moderate expected increase in BOK's loan-loss provision. Meanwhile, the third quarter loan loss provision improved 39% to $5 million from a year ago.

The company is looking to grow its business geographically. While the majority of the bank's assets are in its home state of Oklahoma, the bank has close to $3 billion in assets in Texas, where it is operating mainly in Dallas and Houston. Too, BOK is looking to expand further into New Mexico and Colorado.

BOK shares are an average choice for the year ahead. Although no near-term fireworks are likely, the company is a solid franchise, capable of posting steady profit gains out to 2007–2009. And although our long-term outlook is fairly upbeat, we do not see the type of share-net increases that would be necessary to support above-average price appreciation potential for the 3- to 5-year pull.

George Y. Lee *December 24, 2004*

(A) Diluted earnings (primary in 1995 and 1996). Next earnings report due in mid-January.
(B) In millions.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	90
Earnings Predictability	90

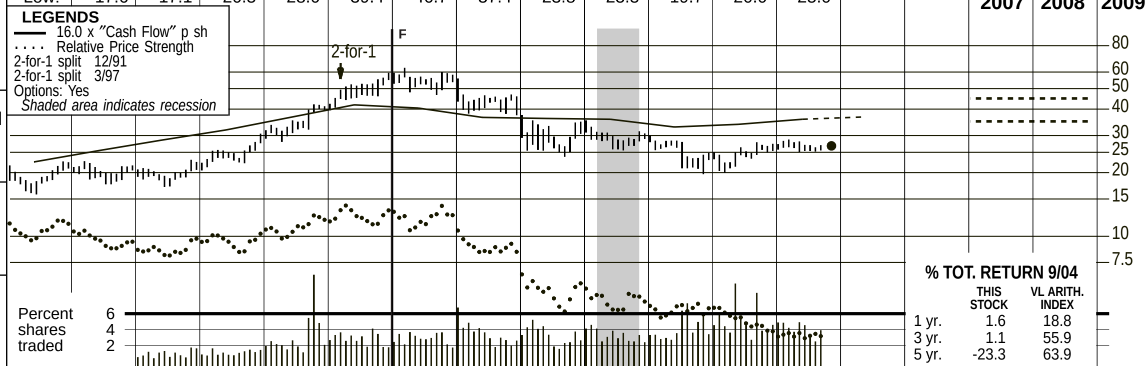
CAMPBELL SOUP NYSE-CPB

RECENT PRICE	26.81	P/E RATIO	16.5 (Trailing: 17.1 / Median: 20.0)	RELATIVE P/E RATIO	0.92	DIV'D YLD	2.5%	VALUE LINE

TIMELINESS 3 Raised 9/20/02
SAFETY 2 Lowered 5/14/99
TECHNICAL 3 Raised 4/30/04
BETA .65 (1.00 = Market)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	22.7	23.0	30.6	42.1	59.4	62.9	55.9	37.5	35.4	30.0	27.9	28.7	
Low:	17.6	17.1	20.5	28.0	39.4	46.7	37.4	23.8	25.5	19.7	20.0	25.0	

Target Price Range 2007 | 2008 | 2009



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+70%)	15%
Low	35	(+30%)	9%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	1	0	0	0	0	0	0	0	0
Options	1	0	0	2	0	0	0	0	0
to Sell	1	0	2	2	0	0	0	0	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	124	114	106
to Sell	133	122	133
Hld's(000)	153859	150250	165396

% TOT. RETURN 9/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	1.6	18.8
3 yr.	1.1	55.9
5 yr.	-23.3	63.9

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
9.43	10.94	12.00	12.21	12.47	13.08	13.49	14.61	15.54	17.39	14.95	14.37	14.68	16.29	14.96	16.29	17.42	17.90	Sales per sh A	20.15
.80	.40	.98	1.20	1.41	1.59	1.78	1.99	2.28	2.62	2.53	2.28	2.26	2.24	2.06	2.12	2.24	2.30	"Cash Flow" per sh	2.75
.47	.03	.59	.79	.98	1.11	1.26	1.40	1.61	1.85	1.90	1.72	1.65	1.55	1.28	1.52	1.58	1.65	Earnings per sh A B	2.00
.20	.23	.25	.28	.36	.46	.55	.61	.67	.75	.82	.88	.90	.90	.63	.63	.64	.68	Div'ds Decl'd per sh C	.72
.48	.55	.75	.71	.67	.73	.85	.79	.84	.72	.57	.66	.47	.49	.66	.69	.71	.83	Cap'l Spending per sh	.73
3.67	3.43	3.27	3.53	4.04	3.39	4.01	4.96	5.55	3.10	1.95	.53	.32	d.60	d.28	.94	2.14	2.50	Book Value per sh D	5.95
516.15	518.31	517.08	508.02	502.34	503.40	496.00	498.00	494.00	458.00	448.00	447.00	427.00	409.00	410.00	410.00	408.00	411.00	Common Shs Outst'g E	411.00
15.1	NMF	21.7	20.4	19.2	18.5	15.6	15.9	18.2	23.4	28.4	27.8	21.4	18.9	21.6	15.1	16.7		Avg Ann'l P/E Ratio	20.0
1.25	NMF	1.61	1.30	1.16	1.09	1.02	1.06	1.14	1.35	1.48	1.58	1.39	.97	1.18	.86	.88		Relative P/E Ratio	1.25
2.9%	2.5%	1.9%	1.7%	1.9%	2.2%	2.8%	2.7%	2.3%	1.7%	1.5%	1.8%	2.5%	3.1%	2.3%	2.7%	2.4%		Avg Ann'l Div'd Yield	1.8%
						6690.0	7278.0	7678.0	7964.0	6696.0	6424.0	6267.0	6664.0	6133.0	6678.0	7109.0	7365	Sales ($mill) A	8285
						19.8%	20.7%	22.3%	24.5%	27.4%	25.3%	25.6%	23.8%	23.5%	20.6%	19.6%	19.5%	Operating Margin	19.5%
						255.0	294.0	326.0	328.0	261.0	255.0	251.0	266.0	319.0	243.0	260.0	270	Depreciation ($mill)	305
						630.0	698.0	802.0	873.0	874.0	766.0	714.0	649.0	525.0	626.0	652.5	680	Net Profit ($mill)	820
						34.6%	33.0%	33.0%	34.0%	33.9%	33.7%	33.7%	34.2%	34.2%	32.3%	31.5%	32.0%	Income Tax Rate	32.0%
						9.4%	9.6%	10.4%	11.0%	13.1%	11.9%	11.4%	9.7%	8.6%	9.4%	9.2%	9.2%	Net Profit Margin	9.9%
						d64.0	d583.0	d611.0	d1398	d1363	d1852	d1864	d1899	d1479	d1493	d858.0	d1000	Working Cap'l ($mill)	d15.0
						560.0	857.0	744.0	1153.0	1169.0	1330.0	1218.0	2243.0	2449.0	2249.0	2543.0	1850	Long-Term Debt ($mill)	1500
						1989.0	2468.0	2742.0	1420.0	874.0	235.0	137.0	d247.0	d114.0	387.0	874.0	1035	Shr. Equity ($mill)	2440
						25.6%	22.0%	23.8%	35.7%	45.1%	51.2%	55.3%	36.9%	25.2%	26.1%	20.9%	26.5%	Return on Total Cap'l	22.0%
						31.7%	28.3%	29.2%	61.5%	100.0%	326.0%	521.2%	- -	- -	NMF	74.7%	NMF	Return on Shr. Equity	33.5%
						18.3%	16.3%	16.9%	36.8%	58.0%	161.7%		- -	- -	NMF	45.0%	NMF	Retained to Com Eq	21.5%
						42%	42%	42%	40%	42%	50%	54%	58%	54%	41%	40%	41%	All Div'ds to Net Prof	36%

CAPITAL STRUCTURE as of 8/1/04
Total Debt $3353 mill. **Due in 5 Yrs** $600 mill.
LT Debt $2543 mill. **LT Interest** $145 mill.

(LT interest earned: 8.9x; total interest coverage: 6.7x)

Leases, Uncapitalized Annual rentals 67 mill.
Pension Assets-8/04 $1.6 bill. **Oblig.** $1.9 bill.
Pfd Stock None

Common Stock 408,000,000 shs.

MARKET CAP: $10.9 billion (Large Cap)

CURRENT POSITION ($MILL.)	2002	2003	8/1/04
Cash Assets	21	32	32
Receivables	417	413	490
Inventory (LIFO)	638	709	795
Other	123	136	164
Current Assets	1199	1290	1481
Accts Payable	681	620	607
Debt Due	1196	1279	810
Other	801	884	922
Current Liab.	2678	2783	2339

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '02-'04 to '07-'09
Sales	2.0%	1.0%	4.5%
"Cash Flow"	3.0%	-3.0%	5.0%
Earnings	3.0%	-4.5%	6.5%
Dividends	3.5%	-5.0%	2.5%
Book Value	-13.0%	-13.0%	NMF

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Oct.Per	Jan.Per	Apr.Per	Jul.Per	Full Fiscal Year
2001	1830	2017	1487	1330	6664
2002	1729	1810	1371	1223	6133
2003	1705	1918	1600	1455	6678
2004	1909	2100	1667	1433	7109
2005	1975	2175	1725	1490	7365

Fiscal Year Ends	EARNINGS PER SHARE A B Oct.Per	Jan.Per	Apr.Per	Jul.Per	Full Fiscal Year
2001	.47	.65	.30	.13	1.55
2002	.42	.49	.23	.14	1.28
2003	.47	.56	.31	.18	1.52
2004	.51	.57	.32	.17	G1.58
2005	.52	.58	.35	.20	1.65

Cal-endar	QUARTERLY DIVIDENDS PAID ■C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.225	.225	.225	.225	.90
2001	.225	.225	.225	.158	.83
2002	.157	.157	.158	.158	.63
2003	.158	.158	.158	.158	.63
2004	.158	.158	.170	.170	

BUSINESS: Campbell Soup is the world's largest soup maker, as well as a leading producer of other packaged foods and beverages. Brands include *Campbell's*, *Erasco*, and *Liebig* soups; *Pepperidge Farm* cookies; *Franco-American* canned pasta; *V8* juices; *Prego* pasta sauces; and *Godiva* chocolates. Acquired Australia's Snack Foods Limited, 7/02. Spun off Vlasic Foods division, 3/98. Foreign operations in '04: 35% of sales, 26% of earnings. R&D, 1.3% of '04 sales. Has 24,000 employees. Officers and directors (including heirs of founder John T. Dorrance) own 44% of shares (10/04 Proxy). Chairman: George Sherman. Pres. & CEO: Douglas Conant. Incorporated: NJ. Address: Campbell Place, Camden, New Jersey 08103. Tel.: 856-342-4800. Web: www.campbellsoup.com.

Campbell Soup still faces some key challenges. Finding a way to turn around generally negative margin trends is perhaps the biggest one that the world's largest soup maker must wrestle. In fiscal 2004 (year ended August 1, 2004), overall company revenue advanced just over 6% to $7.1 billion, thanks, in part, to strong sales of *Chunky* ready-to-serve soup and *Pepperidge Farm* snacks. Yet, earnings increased only 4%, year over year, as gross profit margins narrowed. Raw material cost inflation and a less favorable product mix more than offset the benefit of generally higher pricing. Notably, ready-to-serve soup, which generally carries lower margins than Campbell's flagship condensed soup, is becoming a bigger part of the company's overall business. This trend is only likely to continue, as busy consumers seek meals that are quick and convenient to make.

A lower cost structure should help going forward. Recent restructuring moves, including the handing out of pink slips to some 500 employees, are expected to save the company $40 million (pretax) on an annual basis. A broader introduction of new, relatively high-margined microwave-able bowls and *Soup at Hand* portables should help as well. That said, earnings comparisons are likely to be especially tough in the first half of fiscal 2005, given the planned timing of marketing programs.

We do expect profits to grow faster than sales out to 2007-2009, albeit by a narrow margin. Information systems should be much improved with the implementation of SAP. Ostensibly, Campbell should be better able to plan shipments to the retail trade and the like. Meanwhile, plans to expand selling channels to include more "on-the-go" locations, such as convenience stores and school vending machines, should further improve the overall product mix.

Campbell shares are ranked 3 (Average) for relative year-ahead price performance. The company's board of directors recently approved a dividend hike, reflecting confidence that far-reaching restructuring is gaining traction. Long-term investors may want to give these shares a look.

Nils C. Van Liew *November 5, 2004*

(A) Fiscal year ends about July 31st. (B) Based on diluted shares after '97. Excl.: nonrecurring gains (losses): '88, 7¢; '90, (58¢); '93, ($1.09); '97, (34¢); '98, (40¢); '99, (9¢). Next earnings report due mid-Feb. (C) Dividends historically paid late January, April, July, and October. ■ Div'd reinvest. plan available. (D) Incl. intang. In '04: $2,995.0 mill., $7.34/sh. (E) In mill., adjusted for stock splits. (F) Reflects spinoff of Vlasic in 1998. (G) quarterlies don't add to total due to rounding.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	10
Earnings Predictability	85

CAPITOL FED. FIN'L NDQ-CFFN

RECENT PRICE 32.50 | P/E RATIO 42.2 (Trailing: 90.3 / Median: NMF) | RELATIVE P/E RATIO 2.41 | DIV'D YLD 6.2% | VALUE LINE

TIMELINESS 4 Raised 8/13/04
SAFETY 2 Raised 10/25/02
TECHNICAL 3 Raised 10/8/04
BETA .70 (1.00 = Market)

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+10%)	7%
Low	25	(-25%)	Nil

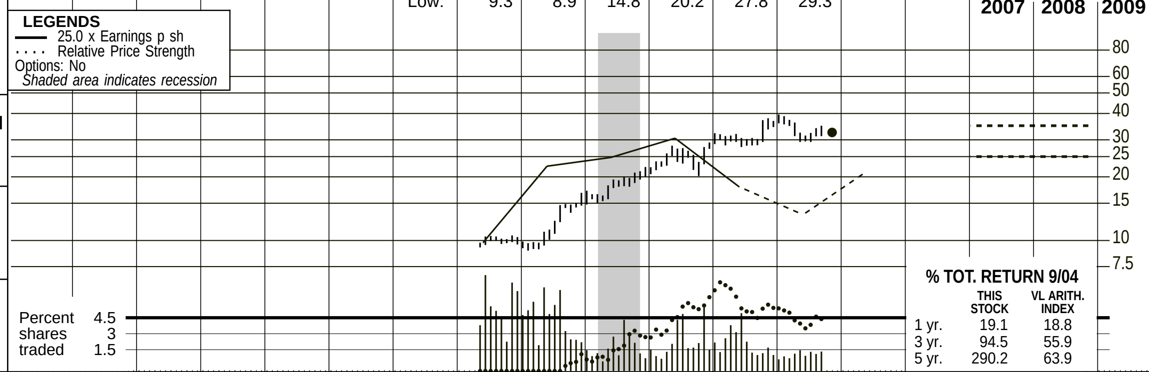
Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	2	0	0
Options	0	0	0	3	0	2	5	0	0
to Sell	0	0	0	0	0	0	3	0	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	27	36	37
to Sell	28	16	23
Hld's(000)	5166	5397	5654

	1999	2000	2001	2002	2003	2004
High:	10.6	16.8	22.3	29.2	37.9	39.6
Low:	9.3	8.9	14.8	20.2	27.8	29.3



Target Price Range
2007 | 2008 | 2009

% TOT. RETURN 9/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	19.1	18.8
3 yr.	94.5	55.9
5 yr.	290.2	63.9

Capitol Federal Financial is a federally chartered holding company, which converted from mutual to stock on March 31, 1999. On that day, the company sold 37,807,183 shares at $10 per share in a subscription offering to certain depositors. It also sold an additional 53,705,104 shares during its IPO. The offering, led by Charles Webb & Company, netted proceeds of $355.5 million.

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
- -	- -	- -	- -	- -	69.62	94.13	96.27	103.17	98.98	***98.00***	***105.00***	Mortgage Loans per sh	***145.00***
- -	- -	- -	- -	- -	42.61	47.26	53.30	59.71	57.81	***56.75***	***60.00***	Savings Deposits per sh A	***75.00***
- -	- -	- -	- -	- -	.39	.90	.99	1.22	.72	***.53***	***.85***	Earnings per sh A B	***1.25***
- -	- -	- -	- -	- -	.20	.42	.57	.74	.90	***2.00***	***2.00***	Div'ds Decl'd per sh C	***2.16***
- -	- -	- -	- -	- -	11.44	11.78	13.04	13.42	13.31	***13.10***	***12.80***	Book Value per sh	***12.50***
- -	- -	- -	- -	- -	91.51	83.72	80.41	73.55	73.31	***74.00***	***74.00***	Common Shs Outst'g D	***75.00***
- -	- -	- -	- -	- -	25.6	11.9	16.9	19.2	40.0	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	***25.0***
- -	- -	- -	- -	- -	1.46	.77	.87	1.05	2.28	*estimates*		Relative P/E Ratio	***1.65***
- -	- -	- -	- -	- -	2.0%	3.9%	3.4%	3.2%	3.1%			Avg Ann'l Div'd Yield	***6.9%***
- -	- -	- -	- -	- -	409.8	533.2	597.1	586.6	484.7	***410***	***440***	Gross Income ($mill)	***585***
- -	- -	- -	- -	- -	61.7%	65.7%	68.7%	63.2%	67.4%	***66.0%***	***59.5%***	Int Cost to Gross Inc	***60.0%***
- -	- -	- -	- -	- -	42.9	76.3	77.8	89.6	52.0	***39.0***	***63.0***	Net Profit ($mill)	***93.5***
- -	- -	- -	- -	- -	38.2%	36.8%	36.9%	39.1%	39.0%	***39.0%***	***39.0%***	Income Tax Rate	***39.0%***
- -	- -	- -	- -	- -	10.5%	14.3%	13.0%	15.3%	10.7%	***9.5%***	***14.5%***	Net Profit Margin	***16.0%***
- -	- -	- -	- -	- -	6539.3	8265.2	8635.4	8781.1	8582.5	***8500***	***8800***	Total Assets ($mill)	***10000***
- -	- -	- -	- -	- -	1345.0	3225.0	3200.0	3200.0	3200.0	***3175***	***3200***	FHLB Advances ($mill)	***3200***
- -	- -	- -	- -	- -	1046.5	986.2	1048.3	987.4	976.4	***965***	***950***	Shr. Equity ($mill)	***940***
- -	- -	- -	- -	- -	1344.9	1060.2	1272.3	1530.3	1830.0	***2000***	***2200***	New Loan Volume ($mill)	***2600***
- -	- -	- -	- -	- -	.10%	.08%	.09%	.16%	.15%	***.15%***	***.15%***	Problem Assets to Lns	***.15%***
- -	- -	- -	- -	- -	16.0%	11.9%	12.1%	11.2%	11.4%	***11.5%***	***11.0%***	Shr. Eq. to Total Assets	***9.5%***
- -	- -	- -	- -	- -	21.2%	11.6%	10.6%	11.7%	15.0%	***18.5%***	***17.0%***	G&A Exp to Gross Inc	***15.0%***
- -	- -	- -	- -	- -	.66%	.92%	.90%	1.02%	.61%	***.45%***	***.75%***	Return on Total Assets	***.95%***
- -	- -	- -	- -	- -	4.1%	7.7%	7.4%	9.1%	5.3%	***4.0%***	***6.5%***	Return on Shr. Equity	***10.0%***

CAPITAL STRUCTURE as of 6/30/04

FHLB Advances $3180.0 mill. (77% of Cap'l)

Other LT Debt Nil

Leases, Uncapitalized: Annual rentals $0.7 mill.
Pension Liability None
Pfd Stock None

Common Stock 73,972,001 shs. as of 7/30/04

MARKET CAP: $2.4 billion (Mid Cap)

EARNINGS FACTORS

Margin (%)	2002	2003	9 mos. 6/30/04
Earning Asset Yield	6.46	4.44	4.60
Cost of Funds	4.80	4.02	3.73
Yield-Cost Margin	1.66	.42	.87

Net Changes ($mill.)	2002	2003	9 mos. 6/30/04
Loans	-153.2	-560.2	172.3
Savings Deposits	106.0	-154.0	-63.8
FHLB Advances & Other Borrowing	- -	- -	-20.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Mortgage Lns	- -	- -	6.5%
Savings Dep	- -	- -	5.0%
Earnings	- -	- -	4.0%
Dividends	- -	- -	21.5%
Book Value	- -	- -	-1.0%

Fiscal Year Ends	SAVINGS DEPOSITS ($ mill.) A Dec.31	Mar. 31	Jun. 30	Sep. 30	Full Fiscal Year
2001	4029	4092	4227	4285	
2002	4343	4443	4431	4391	
2003	4324	4354	4278	4238	
2004	4173	4145	4174	***4200***	
2005	***4250***	***4300***	***4350***	***4400***	

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar. 31	Jun. 30	Sep. 30	Full Fiscal Year
2001	.24	.25	.24	.26	.99
2002	.28	.29	.29	.36	1.22
2003	.40	.17	.11	.04	.72
2004	.06	.13	.13	***.21***	***.53***
2005	***.22***	***.21***	***.21***	***.21***	***.85***

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.11	.11	.12	.12	.46
2001	.14	.15	.16	.17	.62
2002	.18	.19	.20	.21	.78
2003	.22	.23	.24	.50	1.19
2004	.50	.50	.50		

BUSINESS: Capitol Federal Financial is the holding company for Capitol Federal Savings Bank. It has 35 branch locations in Kansas and is a leading residential lender in the state. The bank serves metropolitan Topeka, Wichita, Lawrence, Manhattan, Emporia, and Salina. It primarily attracts retail deposits and uses the funds to provide mortgage loans to owner-occupied residences. Deposits include passbook and statement savings, money market accounts, NOW and noninterest bearing checking. Loans at 6/30/04: 96% real estate; 4% consumer. Has 806 empl. Cap. Fed. Sav. Bank owns 71.1% of shares; Off. & dir., 3.4% (12/03 proxy). Chrmn.: John C. Dicus. CEO: John B. Dicus. Inc.: KS. Addr.: 700 Kansas Ave. Topeka, KS 66603. Tel.: 785-235-1341. Web: www.capfed.com.

Capitol Federal Financial's third-quarter earnings rose 18%, year over year, to $0.13. The gain was in large part due to an increase in CFFN's net interest margin between the two periods, resulting from interest rate swaps entered into by the company. Loan growth in the quarter was strong, though the pickup was from loans purchased rather than being internally generated. For the fiscal year (ended September 30th), however, we expect earnings to fall 26% from 2003, to $0.53, even excluding a debt restructuring charge.

The company has decreased its interest expense by restructuring its borrowings. By refinancing $2.4 billion of its fixed-rate debt, CFFN has reduced its average cost on this debt by 2.35% per year, and has shortened the average remaining term from 67 months to 43 months. The restructuring should reduce the bank's interest expense by about $47.5 million per year, though it has forced CFFN to take a one-time Federal Home Loan Bank prepayment penalty of $236 million during its fourth quarter. Because of the cost savings associated with the restructuring, we have increased our 2005 share-net estimate by $0.20, to $0.85.

Dividend payments continue to be the most attractive aspect of Capitol Financial stock. At over 6%, the yield is well above average. Capitol Financial is able to support this high yield because of its mutual holding company status, where the public owns only about 29% of the shares outstanding, and Capitol Federal Savings Bank, which owns the remaining 71%, continues to waive its share of the distribution. Still, it should be noted that the current payout rate is over 100% of the company's net income, and investors should not expect any large increases in the next 3 to 5 years. Further, the company is likely to scale back its share repurchases over this timeframe.

This issue is ranked to underperform the market in the year ahead. Income-oriented investors may find CFFN's high dividend yield compelling. However, because the stock is already trading within our 3- to 5-year Target Price Range, its total-return potential is still below the *Value Line* median over the pull to 2007-2009.

Fritz R. Owens *October 22, 2004*

(A) Fiscal year ends September 30th.
(B) Diluted earnings. Our estimate for 2004's Sep. 30 quarter excludes a one-time $236 million debt restructuring charge. Next earnings report due early November.
(C) Dividends historically paid in mid-February, May, August, and November. Excludes special dividends: '03; $0.81, '02; $1.22. Historically, dividends have been waived by Capitol Federal Savings Bank.
(D) In millions.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	85
Earnings Predictability	45

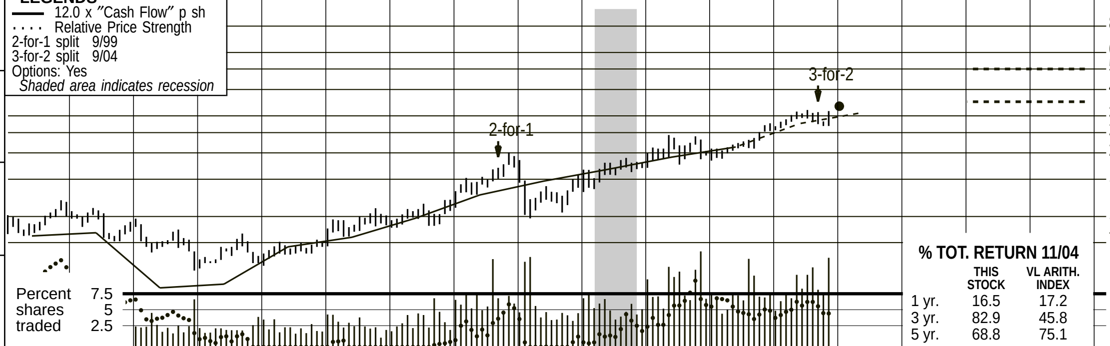
CHURCH & DWIGHT NYSE-CHD

RECENT PRICE 33.28 | P/E RATIO 18.0 (Trailing: 20.1 Median: 20.0) | RELATIVE P/E RATIO 0.92 | DIV'D YLD 0.7% | VALUE LINE

TIMELINESS 3 Lowered 11/12/04
SAFETY 2 Raised 1/2/04
TECHNICAL 3 Lowered 11/19/04
BETA .55 (1.00 = Market)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	11.0	9.8	8.3	7.8	10.9	12.0	20.1	18.5	19.0	24.3	27.7	33.3	
Low:	7.6	5.5	5.7	5.8	7.2	8.9	11.0	9.8	13.0	17.0	18.4	25.6	

LEGENDS
— 12.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 9/99
3-for-2 split 9/04
Options: Yes
Shaded area indicates recession



Target Price Range
2007 | 2008 | 2009

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+50%)	*12%*
Low	35	(+5%)	*3%*

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	5	2	0	0	1	0	2	5	0
to Sell	4	2	0	0	1	0	1	4	0

Institutional Decisions

	1Q2004	2Q2004	3Q2004
to Buy	90	108	110
to Sell	59	67	79
Hld's(000)	37462	36670	37887

% TOT. RETURN 11/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	16.5	17.2
3 yr.	82.9	45.8
5 yr.	68.8	75.1

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
5.52	6.24	7.06	7.97	8.47	8.43	8.38	8.29	9.04	9.86	11.81	12.53	13.82	18.41	17.50	17.28	*22.60*	*25.80*	Sales per sh	*32.25*
.42	.45	.54	.62	.67	.70	.38	.40	.60	.66	.82	1.05	1.23	1.39	1.59	1.78	*2.30*	*2.60*	"Cash Flow" per sh	*3.40*
.25	.29	.37	.45	.48	.52	.17	.17	.36	.41	.51	.69	.85	.88	1.07	1.24	*1.75*	*1.95*	Earnings per sh A	*2.55*
.08	.09	.10	.11	.13	.14	.15	.15	.15	.15	.16	.17	.19	.19	.20	.21	.23	*.24*	Div'ds Decl'd per sh B■	*.32*
.20	.19	.17	.33	.29	.48	.48	.34	.12	.17	.47	.57	.38	.58	.65	.53	*.55*	*.65*	Cap'l Spending per sh	*.65*
1.78	1.80	1.96	2.28	2.61	2.81	2.63	2.62	2.83	3.08	3.36	3.89	4.08	4.81	5.81	7.17	*8.60*	*10.65*	Book Value per sh C	*18.00*
62.88	62.14	60.66	60.90	61.01	60.24	58.58	58.58	58.36	58.31	57.93	58.28	57.57	58.71	59.85	61.18	*62.00*	*62.00*	Common Shs Outst'g D	*62.00*
16.4	16.1	15.6	20.0	19.7	17.9	44.3	38.1	19.1	22.3	19.7	22.0	14.9	18.8	19.2	17.9	*16.7*		Avg Ann'l P/E Ratio	*17.0*
1.36	1.22	1.16	1.28	1.19	1.06	2.91	2.55	1.20	1.29	1.02	1.25	.97	.96	1.05	1.02	*.85*		Relative P/E Ratio	*1.15*
1.9%	1.9%	1.7%	1.3%	1.3%	1.5%	1.9%	2.2%	2.1%	1.7%	1.6%	1.1%	1.5%	1.2%	1.0%	.9%	.8%		Avg Ann'l Div'd Yield	*.7%*

CAPITAL STRUCTURE as of 10/1/04
Total Debt $901.8 mill. **Due in 5 Yrs** $125.9 mill.
LT Debt $789.7 mill. **LT Interest** $19.0 mill.
(LT interest earned: 5.1x; total interest coverage: 4.3x) (60% of Cap'l)

Leases, Uncapitalized Annual rentals $8.5 mill.
Pension Assets-12/03 $16.2 mill. **Oblig.** $24.3 mill.
Pfd Stock None
Common Stock 62,379,765 shares
as of 11/5/04

MARKET CAP: $2.1 billion (Mid Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
491.1	485.8	527.8	574.9	684.4	730.0	795.7	1080.9	1047.1	1056.9	*1400*	*1600*	Sales ($mill)	*2000*
4.1%	5.2%	7.7%	7.8%	8.5%	11.2%	12.3%	11.2%	12.7%	13.4%	*14.5%*	*15.0%*	Operating Margin	*16.0%*
11.7	13.1	13.6	14.2	16.5	19.3	21.5	27.8	27.9	30.2	*35.0*	*39.0*	Depreciation ($mill)	*48.0*
10.6	10.2	21.2	24.5	30.9	42.1	49.1	53.9	67.3	78.5	*109*	*122*	Net Profit ($mill)	*162*
36.2%	37.7%	36.0%	36.7%	36.9%	36.9%	35.1%	39.4%	33.8%	32.9%	*31.5%*	*34.0%*	Income Tax Rate	*34.0%*
2.2%	2.1%	4.0%	4.3%	4.5%	5.8%	6.2%	5.0%	6.4%	7.4%	*7.8%*	*7.6%*	Net Profit Margin	*8.1%*
24.5	22.1	36.7	23.2	42.6	35.2	13.4	97.2	89.4	57.1	*250*	*300*	Working Cap'l ($mill)	*475*
7.5	7.5	7.5	6.8	29.6	58.1	20.1	406.6	352.5	331.1	*775*	*725*	Long-Term Debt ($mill)	*600*
153.9	153.7	165.3	179.3	194.8	226.7	234.7	282.3	347.6	438.5	*535*	*660*	Shr. Equity ($mill)	*1120*
6.6%	6.5%	12.4%	13.3%	14.2%	15.2%	19.6%	8.5%	10.4%	11.5%	*9.0%*	*9.0%*	Return on Total Cap'l	*10.0%*
6.9%	6.6%	12.8%	13.7%	15.9%	18.6%	20.9%	19.1%	19.4%	17.9%	*20.5%*	*18.5%*	Return on Shr. Equity	*14.5%*
1.3%	1.0%	7.6%	8.7%	11.1%	14.1%	16.3%	15.1%	15.9%	15.1%	*18.0%*	*16.0%*	Retained to Com Eq	*13.0%*
81%	85%	40%	37%	30%	24%	22%	21%	18%	16%	*12%*	*12%*	All Div'ds to Net Prof	*12%*

CURRENT POSITION ($MILL.)	2002	2003	10/1/04
Cash Assets	76.3	75.6	145.4
Receivables	100.3	107.6	198.1
Inventory (LIFO)	82.7	84.2	152.7
Other	26.1	21.8	30.5
Current Assets	285.4	289.2	526.7
Accts Payable	88.1	79.9	249.1
Debt Due	15.9	65.9	112.1
Other	87.2	86.3	17.2
Current Liab.	196.0	232.1	378.4

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Sales	8.0%	11.5%	*9.5%*
"Cash Flow"	9.0%	18.0%	*12.0%*
Earnings	8.0%	20.0%	*13.5%*
Dividends	4.5%	5.5%	*5.0%*
Book Value	8.5%	14.0%	*19.0%*

Cal-endar	QUARTERLY SALES ($ mill.) E Mar.Per.	Jun.Per.	Sep.Per.	Dec.Per.	Full Year
2001	256.6	257.1	270.6	296.6	1080.9
2002	256.7	258.5	263.8	268.1	1047.1
2003	248.3	256.3	265.6	286.7	1056.9
2004	296.0	340.8	420.3	*342.9*	*1400*
2005	*350*	*390*	*460*	*400*	*1600*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.21	.22	.25	.20	.88
2002	.28	.27	.28	.24	1.07
2003	.33	.31	.31	.29	1.24
2004	.47	.41	.48	*.39*	*1.75*
2005	*.52*	*.46*	*.53*	*.44*	*1.95*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.047	.047	.05	.05	.19
2002	.05	.05	.05	.05	.20
2003	.05	.05	.055	.055	.21
2004	.055	.055	.06	.06	.23
2005					

BUSINESS: Church & Dwight Co., Inc. is the world's largest producer of sodium bicarbonate. Consumer products include *Arm & Hammer* baking soda (sodium bicarbonate), powder & liquid laundry detergent, carpet and room deodorizer, cat litter, toothpaste, deodorant, and *Brillo* steel wool prods. Specialty products include sodium bicarbonate & potassium carbonate for industrial cleaners, animal feed, pharmaceutical applications, & glass production. R&D, 2.5% of 2003 sales. '03 depreciation rate: 6.5%. Has 2,266 employees. Officers & directors own 7.0% of common; Neuberger Berman, 10.3% (4/04 proxy). President & CEO: James Cragie. Inc.: DE. Address: 469 N. Harrison St., Princeton, NJ 08543. Telephone: 609-683-5900. Internet: www.churchdwight.com.

Church & Dwight (C&D) has backed out of the Del Labs acquisition. Last month C&D announced that after further consideration, it had decided not to participate with former joint venture partner Kelso & Company in the acquisition of cosmetics and over-the-counter pharmaceuticals manufacturer Del Laboratories, Inc. Management noted that this was a mutual agreement reached by both Church and Kelso, and in no way reflects any negative sentiment toward the acquisition. No further details were offered.

The company likely finished 2004 on a strong note. C&D posted an impressive 55% year-to-year share-net gain in the third quarter. And given the positive indicators in the December interim, we are looking for a $0.51 advance, to $1.75 a share in the calendar year. Management cites the firm growth in core businesses as a significant driver of the solid results. Strategic marketing support for product introductions paid off, as most items have been well received and are bolstering top-line growth. Moreover, full contributions from Armkel (now 100% owned) and the anniversary of the Unilever acquisition likely provided a considerable boost to comparisons with the prior year. Revenue gains more than offset the increased operating costs associated with stepped-up advertising efforts and higher acquisition integration expenses.

The operating margin should continue to widen in the coming years, albeit at a slower pace. While we do not expect C&D to enjoy 2004's noteworthy year-over-year earnings improvement going forward, steady double-digit growth is likely to 2007–2009. A robust pipeline of new products, supplemented by what has so far been an efficient promotional strategy, should help Church to enhance long-term profitability. Too, the company's purchase of a number of high-margin brands should ease the pressure on the operating margin, as effective advertising helps the company to gain market share.

The stock's recent price strength has eroded much of the capital-gains potential we envision out to 2007–2009. Still, conservative investors may find C&D's high Financial Strength Rating appealing.

Simon R. Shoucair *January 7, 2005*

(A) Diluted earnings; primary thru '96. Next egs. rpt. due late Jan. Excl. nonrecur. gns.: '89, 7¢; '90, 2¢; '93, 8¢; '99, 8¢; '02, 5¢; '03, 6¢ losses: '89, 29¢; '93, 13¢; '94, 12¢; '98, 2¢; '00, 39¢; '01, 17¢; '02, 07¢; Q2, '04, 17¢, Q3, '04, 6¢. **(B)** Div'd. are hist. paid in early Mar., June, Sep., and Dec. ■ Dividend reinvestment plan available. **(C)** Incl. intang. In '03: $378.8 mill., $9.29/sh. **(D)** In millions, adjusted for stock split. **(E)** From 2002 onward sales reflect adoption of accounting policies EITF 00-14 and EITF 00-25.

Company's Financial Strength	A
Stock's Price Stability	75
Price Growth Persistence	100
Earnings Predictability	95

CLOROX CO. NYSE-CLX

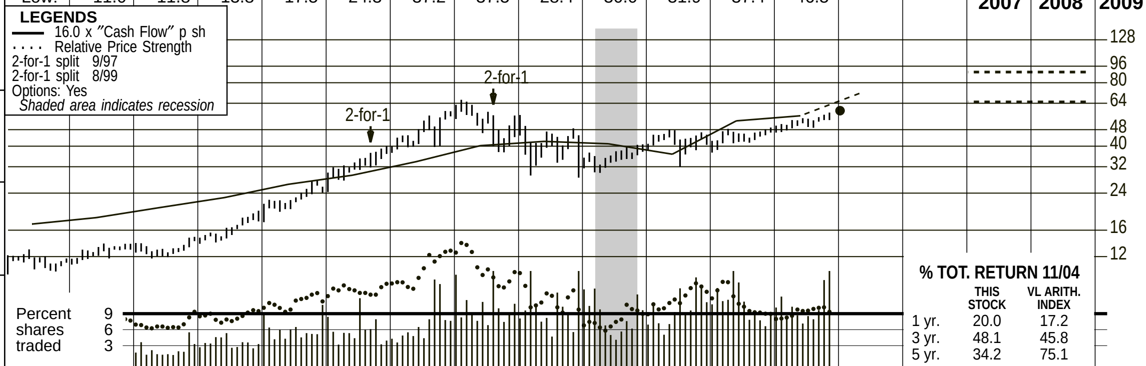
RECENT PRICE 58.91 | P/E RATIO 21.8 (Trailing: 23.3 Median: 22.0) | RELATIVE P/E RATIO 1.11 | DIV'D YLD 1.9% | VALUE LINE

TIMELINESS 4 Lowered 11/12/04
SAFETY 2 Lowered 4/14/00
TECHNICAL 3 Lowered 11/12/04
BETA .65 (1.00 = Market)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	13.8	14.9	19.8	27.6	40.2	58.8	66.5	56.4	40.8	47.9	49.2
Low:	11.0	11.8	13.8	17.5	24.3	37.2	37.5	28.4	30.0	31.9	37.4

High:	13.8	14.9	19.8	27.6	40.2	58.8	66.5	56.4	40.8	47.9	49.2	59.4
Low:	11.0	11.8	13.8	17.5	24.3	37.2	37.5	28.4	30.0	31.9	37.4	46.5

LEGENDS
— 16.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 9/97
2-for-1 split 8/99
Options: Yes
Shaded area indicates recession



Target Price Range
2007 | 2008 | 2009

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	90	(+55%)	13%
Low	65	(+10%)	5%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	1	0	1	0	0
Options	2	0	0	0	2	0	0	0	0
to Sell	2	0	0	0	2	0	0	0	0

Institutional Decisions

	1Q2004	2Q2004	3Q2004
to Buy	188	184	174
to Sell	187	186	181
Hld's(000)	104374	105715	104999

% TOT. RETURN 11/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	20.0	17.2
3 yr.	48.1	45.8
5 yr.	34.2	75.1

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
5.83	6.12	6.87	7.60	7.87	7.45	8.60	9.29	10.82	12.27	13.32	17.01	17.35	16.49	18.21	19.39	20.30	*28.75*	Sales per sh A	*32.65*
.79	.86	.94	1.01	1.07	1.15	1.28	1.43	1.65	1.82	2.12	2.52	2.64	2.57	2.30	3.30	3.49	*4.55*	"Cash Flow" per sh	*5.55*
.62	.66	.70	.61	.66	.77	.84	.95	1.07	1.21	1.41	1.63	1.75	1.63	1.37	2.33	2.55	*2.70*	Earnings per sh B	*3.90*
.23	.27	.32	.37	.40	.43	.47	.48	.53	.58	.64	.72	.80	.84	.84	.88	1.08	*1.10*	Div'ds Decl'd per sh C■	*1.50*
.43	.40	.72	.50	.57	.35	.27	.29	.41	.46	.48	.75	.67	.81	.79	.96	.81	*1.20*	Cap'l Spending per sh	*1.35*
3.30	3.55	3.75	3.62	3.73	4.01	4.26	4.42	4.55	5.02	5.27	6.67	7.62	8.03	6.07	5.69	7.23	*NMF*	Book Value per sh D	*3.75*
216.18	221.59	216.13	216.78	218.18	219.40	213.49	213.49	205.03	206.33	205.74	235.31	235.36	236.69	223.01	213.68	212.99	*153.00*	Common Shs Outst'g E	*150.00*
12.0	12.4	14.6	15.7	16.1	15.1	15.6	14.9	17.9	22.4	27.5	33.2	25.0	22.6	29.6	18.2	18.8		Avg Ann'l P/E Ratio	*20.0*
1.00	.94	1.08	1.00	.98	.89	1.02	1.00	1.12	1.29	1.43	1.89	1.63	1.16	1.62	1.04	1.00		Relative P/E Ratio	*1.35*
3.1%	3.4%	3.1%	3.9%	3.7%	3.7%	3.6%	3.4%	2.8%	2.1%	1.7%	1.3%	1.8%	2.3%	2.1%	2.1%	2.3%		Avg Ann'l Div'd Yield	*2.1%*

CAPITAL STRUCTURE as of 9/30/04
Total Debt $647.0 mill. **Due in 5 Yrs** $445.0 mill.
LT Debt $474.0 mill. **LT Interest** $29.8 mill.
(Total interest coverage: 30.0x)
(22% of Cap'l)
Leases, Uncapitalized Annual rentals $44.0 mill.
Pension Assets-6/04 334 mill. **Oblig.** $404 mill.
Pfd Stock None

Common Stock 213,376,010 shs.
MARKET CAP: $12.6 billion (Large Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
1836.9	1984.2	2217.8	2532.7	2741.3	4003.0	4083.0	3903.0	4061.0	4144.0	4324.0	*4400*	Sales ($mill) A	*4900*
22.9%	23.3%	24.0%	23.4%	24.6%	23.5%	24.0%	22.9%	23.2%	25.2%	24.7%	*24.2%*	Operating Margin	*25.5%*
94.1	103.9	116.5	126.4	137.6	202.0	201.0	225.0	190.0	191.0	197.0	*210*	Depreciation ($mill)	*230*
180.0	200.8	222.1	249.4	298.0	391.2	420.5	384.0	322.0	514.0	546.0	*485*	Net Profit ($mill)	*605*
41.3%	40.6%	40.0%	40.0%	36.9%	36.7%	36.1%	29.7%	35.3%	35.9%	35.0%	*35.0%*	Income Tax Rate	*35.0%*
9.8%	10.1%	10.0%	9.8%	10.9%	9.8%	10.3%	9.8%	7.9%	12.4%	12.6%	*11.0%*	Net Profit Margin	*12.3%*
128.5	121.0	d50.0	d219.2	d426.4	d252.0	d87.0	34.0	d223.0	d500.0	d225.0	*d330*	Working Cap'l ($mill)	*d250*
216.1	253.1	356.3	565.9	316.3	702.0	590.0	685.0	678.0	495.0	475.0	*2125*	Long-Term Debt ($mill)	*1200*
909.4	943.9	932.8	1036.0	1085.2	1570.0	1794.0	1900.0	1354.0	1215.0	1540.0	*d215*	Shr. Equity ($mill)	*565*
16.7%	17.7%	18.5%	17.1%	22.2%	18.4%	18.6%	15.9%	16.7%	30.7%	27.8%	*27.0%*	Return on Total Cap'l	*35.5%*
19.8%	21.3%	23.8%	24.1%	27.5%	24.9%	23.4%	20.2%	23.8%	42.3%	35.5%	*NMF*	Return on Shr. Equity	*93.5%*
9.1%	10.4%	12.0%	12.5%	15.3%	14.6%	12.9%	9.7%	9.3%	26.4%	20.6%	*NMF*	Retained to Com Eq	*58.0%*
54%	51%	50%	48%	44%	41%	45%	52%	61%	38%	42%	*43%*	All Div'ds to Net Prof	*38%*

CURRENT POSITION ($MILL.)	2003	2004	9/30/04
Cash Assets	172	232	255
Receivables	463	460	385
Inventory (LIFO)	264	301	305
Other	52	50	185
Current Assets	951	1043	1130
Accts Payable	312	310	287
Debt Due	574	291	173
Other	565	667	635
Current Liab.	1451	1268	1095

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '02-'04 to '07-'09
Sales	9.0%	6.5%	*11.0%*
"Cash Flow"	10.0%	7.0%	*13.0%*
Earnings	10.5%	8.0%	*13.5%*
Dividends	8.0%	7.5%	*10.0%*
Book Value	4.5%	2.5%	*NMF*

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Sep.30	Dec.31	Mar.31	Jun.30	Full Fiscal Year
2001	963.0	876.0	962.0	1102	3903.0
2002	991.0	901.0	1033	1136	4061.0
2003	1047	926.0	1019	1152	4144.0
2004	1048	947.0	1086	1243	4324.0
2005	1090	*990*	*1090*	*1230*	*4400*

Fiscal Year Ends	EARNINGS PER SHARE A B Sep.30	Dec.31	Mar.31	Jun.30	Full Fiscal Year
2001	.42	.31	.45	.45	1.63
2002	.33	.22	.19	.63	1.37
2003	.71	.39	.51	.72	2.33
2004	.60	.51	.59	.86	2.55F
2005	.57	*.54*	*.65*	*.94*	*2.70*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.21	.21	.21	.21	.84
2002	.21	.21	.22	.22	.86
2003	.22	.22	.27	.27	.98
2004	.27	.27	.27	.27	1.08
2005	.28				

BUSINESS: The Clorox Co. is a producer of household goods. Brands incl. Household products seg.: *Clorox* bleach, *Formula 409, Tilex, Pine-Sol*; *Brita; Glad*. Specialty seg.: *Kingsford*, *Match Light*, charcoal, *Fresh Step*, *Scoop Away* cat litter, *Armor All*, *STP* auto care products, *K.C. Masterpiece*, *Hidden Valley* dressings. Largest segment: household products North America, 54% of '04 sales. Foreign operations: 15% of '04 sales. Acquired First Brands (1/99). Has 8,600 employees. 15,023 shrhldrs. Henkel Corp sold its 28.8% common share stake to Clorox in November 2004. Off. & dir. own .9% (10/04 proxy). Chrmn: Robert W. Matschullat. Pres. & CEO: Gerald E. Johnston. Inc.: CA. Add.: 1221 Broadway, Oakland, CA 94612. Telephone: 510-271-7000. Internet: www.clorox.com.

We're lifting Clorox's fiscal 2005 (year ends in June) share-earnings estimate upward by $0.05. The change mainly results from the company's repurchasing 61.4 million of its own shares from Henkel Corporation last November 22nd. Excluding the financial implications of the transaction, we're not making significant changes to our general corporate outlook. Clorox's December-quarter profits likely beat earlier expectations due to lower trade promotion costs. However, projected tightening of the gross margin (reflecting rising second-half raw material costs along with additional royalty payments to Procter & Gamble) should offset the second-quarter increases. The latter item reflects Procter's recent expenditure of $133 million to raise its stake in the Glad joint venture from 10% to 20%.

The terms of the Henkel deal: The German company swapped its 29% holding for $2.84 billion in cash and assets. Of that total, Clorox initially paid $2.1 billion in cash (later replaced by debt). The balance came from exchanging a subsidiary containing its insecticides and *Soft Scrub* cleanser units, along with its 20% interest in joint-venture Henkel Iberica.

Earnings implications: The company expects the transaction to increase fiscal 2005 share earnings by $0.12 or $0.13. Additionally, Clorox will book a nonrecurring (excluded from our calculations) share gain of $3.15, or more, on the transfer of businesses. Moreover, this deal might count for nearly half of our estimated fiscal 2006 earnings increase. Our preliminary 2006 share-net target is $3.25.

Financing implications: Clorox issued $1.65 billion of long-term debt in this transaction. The company, which generates considerable cash flow, should not have any problems repaying the debt (averaging about 4%). The debt is payable in three roughly equal parts at the end of calendar 2007, 2010, and 2015, respectively.

The share buyback improves the untimely stock's long-term appeal. The deal's leverage boosts current and future earning power. Meanwhile, the transaction helped these shares climb to a five year high in December. Clorox shares now possess average total return potential through the 2007-2009 period.

Jerome H. Kaplan *January 7, 2005*

(A) Fscl. yr. ends June 30. (B) Based on avg. shrs. outstndg. though '97; dil. thereafter. Excl. nonrecur. gain (loss): '91, ($0.73); '92, $0.42; '99, ($0.60); '00, ($0.11); '01, ($0.16); '03, ($0.10); '04, $0.01. Next egs. rpt. due February 7th. (C) Div'd historically paid in mid-Feb., May, Aug., Nov.. ■ Div'd reinvest. plan available. (D) Incl. intang. At 6/30/04: $1375.0 mill., $6.46/sh. (E) In mill., adj. for stk. splits. (F) Quarterly earnings don't add to total due to change in shares outstanding.

Company's Financial Strength	A
Stock's Price Stability	80
Price Growth Persistence	80
Earnings Predictability	70

COMMERCE BANCSH. NDQ-CBSH

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
49.10	15.5	(Trailing: 15.9) (Median: 13.0)	0.81	1.9%	VALUE LINE

TIMELINESS	3	Raised 10/22/04
SAFETY	1	New 7/27/90
TECHNICAL	3	Lowered 11/26/04

BETA .80 (1.00 = Market)

High:	13.0	13.1	16.4	22.3	33.3	36.7	32.6	35.2	35.9	40.5	47.0	50.0
Low:	10.5	10.9	11.1	14.3	19.0	24.2	25.2	20.7	27.1	29.9	31.9	41.9

2007-09 PROJECTIONS

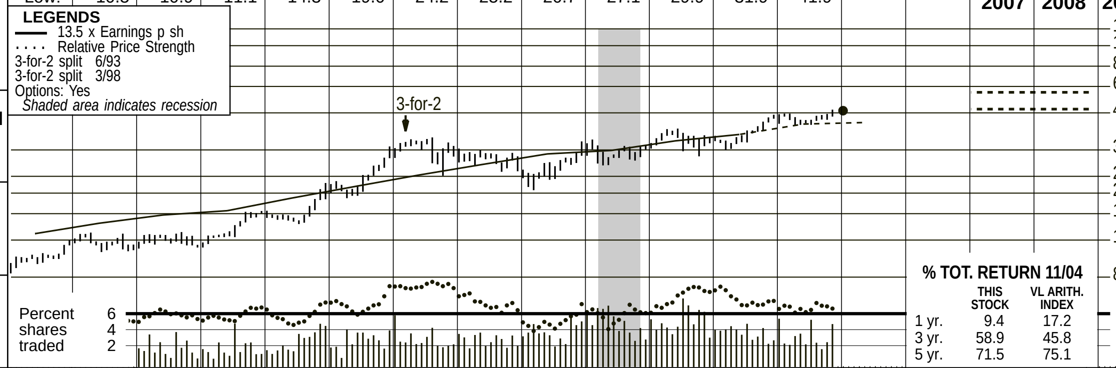
	Price	Gain	Ann'l Total Return
High	60	(+20%)	7%
Low	50	(Nil)	3%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	1	0	0	0	0	0
Options	3	3	1	1	1	0	1	3	0
to Sell	2	5	3	1	2	0	1	4	1

Institutional Decisions

	1Q2004	2Q2004	3Q2004
to Buy	71	49	69
to Sell	67	88	56
Hld's(000)	29652	25948	29010



Target Price Range

2007	2008	2009

% TOT. RETURN 11/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	9.4	17.2
3 yr.	58.9	45.8
5 yr.	71.5	75.1

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
.64	.81	.78	.82	.95	1.07	1.17	1.22	1.40	1.59	1.81	2.03	2.27	2.36	2.62	2.81	***3.15***	***3.20***	Earnings per sh A	***4.10***
.15	.16	.18	.19	.21	.23	.26	.29	.33	.37	.41	.45	.49	.52	.56	.71	***.88***	***.92***	Div'ds Decl'd per sh B	***1.20***
5.08	5.69	6.40	7.03	7.92	8.74	8.88	10.35	11.16	12.02	13.19	12.64	15.04	16.82	19.14	20.33	***21.50***	***23.05***	Book Value per sh	***30.40***
74.63	69.92	71.59	72.11	76.24	81.54	82.02	85.41	82.83	81.57	81.96	85.41	76.06	75.67	73.98	71.37	***69.00***	***67.00***	Common Shs Outst'g C	***65.00***
7.4	7.9	7.7	9.2	10.5	11.0	10.3	11.2	11.7	14.9	18.1	14.4	11.7	13.2	13.8	13.6	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	***13.5***
.61	.60	.57	.59	.64	.65	.68	.75	.73	.86	.94	.82	.76	.68	.75	.78			Relative P/E Ratio	***.90***
3.2%	2.6%	3.0%	2.6%	2.1%	1.9%	2.1%	2.1%	2.0%	1.6%	1.3%	1.5%	1.8%	1.7%	1.6%	1.8%			Avg Ann'l Div'd Yield	***2.2%***

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
8035.6	9574.0	9698.2	10307	11402	11401	11115	12903	13308	14287	***14250***	***14500***	Total Assets ($mill)	***17000***
4345.5	5219.3	5374.1	6118.5	6929.8	7453.9	7778.2	7508.5	7745.3	8007.5	***8050***	***8250***	Loans ($mill)	***9800***
314.6	355.7	365.7	397.8	427.7	466.0	480.7	467.9	500.0	502.4	***495***	***515***	Net Interest Inc ($mill)	***620***
5.8	14.6	24.5	31.4	36.9	35.3	35.2	36.4	34.1	40.7	***30.0***	***35.0***	Loan Loss Prov'n ($mill)	***50.0***
121.0	133.2	159.2	180.1	214.0	236.2	252.8	277.5	280.6	301.7	***330***	***340***	Noninterest Inc ($mill)	***400***
282.1	305.5	318.0	344.5	379.3	419.0	430.4	439.6	452.9	472.1	***480***	***490***	Noninterest Exp ($mill)	***550***
96.1	107.6	119.5	132.7	150.1	166.2	178.6	182.0	199.5	206.5	***225***	***220***	Net Profit ($mill)	***270***
34.9%	36.2%	34.5%	34.3%	33.5%	32.9%	33.3%	32.4%	32.0%	29.1%	***29.0%***	***30.0%***	Income Tax Rate	***35.0%***
1.20%	1.12%	1.23%	1.29%	1.32%	1.46%	1.61%	1.41%	1.50%	1.45%	***1.60%***	***1.50%***	Return on Total Assets	***1.60%***
6.5	14.6	14.1	7.2	27.1	25.7	224.7	392.6	338.5	401.0	***390***	***500***	Long-Term Debt ($mill)	***700***
728.2	883.8	924.3	980.8	1080.8	1079.8	1143.8	1272.5	1416.3	1451.0	***1485***	***1545***	Shr. Equity ($mill)	***1975***
9.1%	9.2%	9.5%	9.5%	9.5%	9.5%	10.3%	9.9%	10.6%	10.2%	***10.5%***	***10.5%***	Shr. Eq. to Total Assets	***11.5%***
54.1%	54.5%	55.4%	59.4%	60.8%	65.4%	70.0%	58.2%	58.2%	56.0%	***56.5%***	***57.0%***	Loans to Tot Assets	***57.5%***
13.2%	12.2%	12.9%	13.5%	13.9%	15.4%	15.6%	14.3%	14.1%	14.2%	***15.0%***	***14.0%***	Return on Shr. Equity	***13.5%***
10.3%	9.2%	10.0%	10.4%	10.8%	12.1%	12.3%	11.1%	11.1%	10.7%	***11.0%***	***10.0%***	Retained to Com Eq	***9.5%***
22%	24%	23%	23%	22%	22%	21%	22%	21%	25%	***28%***	***29%***	All Div'ds to Net Prof	***29%***

CAPITAL STRUCTURE as of 9/30/04

LT Debt $392.6 mill. **LT Interest** $7.6 mill.
Due In 5 Years $289.3 mill.

Pension Assets-12/03 $78.9 mill. **Oblig.** $77.2 mill.

Pfd Stock None

Common Stock 69,356,550 shs.
as of 11/1/04
(Adj. for 5% stk. div'd, paid 12/13/04)
MARKET CAP: $3.4 billion (Mid Cap)

ASSETS	2002	2003	9/30/04
Loans	7745.3	8007.5	8029.5
Funds Sold	16.9	108.1	117.5
Securities	4275.2	5039.2	4878.9
Other Earning	- -	- -	- -
Other	1271.0	1132.4	1120.3
LIABILITIES($Mill.)			
Deposits	9913.3	10206.2	10281.6
Funds Borrowed	1459.9	2108.9	1863.1
Long-Term Debt	338.5	401.0	392.6
Net Worth	1416.3	1450.9	1459.7
Other	180.4	120.2	149.2
Total	13308.4	14287.2	14146.2
Loan Loss Resrv.	130.6	135.2	133.4

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Loans	8.5%	7.0%	*6.0%*
Earnings	10.5%	10.0%	*8.0%*
Dividends	11.0%	10.0%	*12.5%*
Book Value	9.0%	9.0%	*8.5%*
Total Assets	6.5%	7.5%	*6.0%*

Cal-endar	LOANS ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31
2001	7858	7660	7671	7509
2002	7476	7599	7831	7745
2003	7856	7981	7812	8008
2004	8016	7975	8029	***8050***
2005	***8050***	***8100***	***8150***	***8250***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.57	.59	.59	.61	2.36
2002	.61	.65	.67	.69	2.62
2003	.63	.69	.75	.74	2.81
2004	.71	.75	.89	***.80***	***3.15***
2005	***.72***	***.75***	***.95***	***.78***	***3.20***

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.122	.122	.122	.122	.49
2001	.131	.131	.131	.131	.52
2002	.141	.141	.141	.141	.56
2003	.15	.15	.204	.204	.71
2004	.219	.219	.219	.219	

BUSINESS: Commerce Bancshares, Inc. has over 325 bank locations in Missouri, Illinois, and Kansas, plus subsidiaries engaged in mortgage banking, credit-related insurance, venture capital, and real estate activities. Annualized net loan losses, .46% of average loans in '03. Loan loss reserve, 1.63% of loans at 9/30/04; problem assets, .57%. Avg. loan portfolio breakdown 12/31/03: commercial, 25%; commercial real estate, 28%; residential mortgage, 17%; consumer, 30%. On 9/30/04, had 4,821 full-time equiv. employees; 4,786 stockholders of record. Directors & officers own 13.4% of stock (proxy 3/04). President & CEO: D.W. Kemper. Inc.: MO. Address: 1000 Walnut, P.O. Box 13686, Kansas City, MO 64199. Tel.: 816-234-2000. Internet: www.commercebank.com.

Commerce Bancshares' September-quarter earnings were helped by about $0.20 a share of tax benefits. Absent this boost (the result of corporate tax reorganization initiatives), Commerce's results weren't especially strong. A decline in business loans, lower earnings on inflation-indexed Treasury securities, lower investment securities balances, and higher interest rates on short-term borrowings limited the growth in net interest income in the quarter to a 1% year-to-year advance. Declines in trading and mortgage income, as well as a small loss on securities sales, offset much of the good growth in bank card income (due to higher fees and card transaction volume).

Additional tax benefits are expected to contribute about $0.07 a share to December-period results, and another $0.20 in the third quarter of 2005. Our estimates now include the tax benefits. *(All per-share figures on this page have been adjusted for the 5% stock dividend that was paid on December 13th.)*

Factoring out the tax benefits, we tentatively look for some improvement in Commerce's underlying operating performance in the year ahead. There are signs that commercial loan demand in Commerce's three-state (Missouri, Illinois, Kansas) region is beginning to strengthen, which should support better growth in commercial loans and net interest income in 2005. Our estimates also assume Commerce will maintain its tight rein on operating expenses, which rose a scant 1% in the first nine months of 2004. Provisions to the loan loss reserve probably won't increase much, if at all. Commerce's reserve is about three times the sum of its problem assets and past-due loans, which are very low. And stock repurchases should enhance share net, excluding the tax benefits, which we expect to rise at a mid-single-digit pace in 2005.

Very stable Commerce Bancshares stock has held up well recently despite the disappointing September-quarter earnings performance. At the current price, the issue has limited appreciation potential to late decade, is ranked to do about as well as the market averages in the year ahead, and has only a slightly better-than-average dividend yield.

Theresa Brophy *December 24, 2004*

(A) Based on diluted shares outstanding. Excl. gain from change in accounting: '90, $0.06. Next earnings report due mid-January.
(B) Dividends historically paid in late March, June, September, and December. Plus stock dividend: 5% in '94, '95, '96, '97, '98, '99, '00, '01, '02, '03, '04.
(C) In millions, adjusted for stock splits & dividends.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	90
Earnings Predictability	100

CONAGRA FOODS INC. NYSE-CAG

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
26.40	17.4	(Trailing: 18.1) (Median: 16.0)	0.97	4.1%	VALUE LINE

TIMELINESS	3	Raised 10/1/04
SAFETY	2	Raised 11/17/95
TECHNICAL	3	Lowered 6/4/04

BETA .70 (1.00 = Market)

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+50%)	14%
Low	30	(+15%)	8%

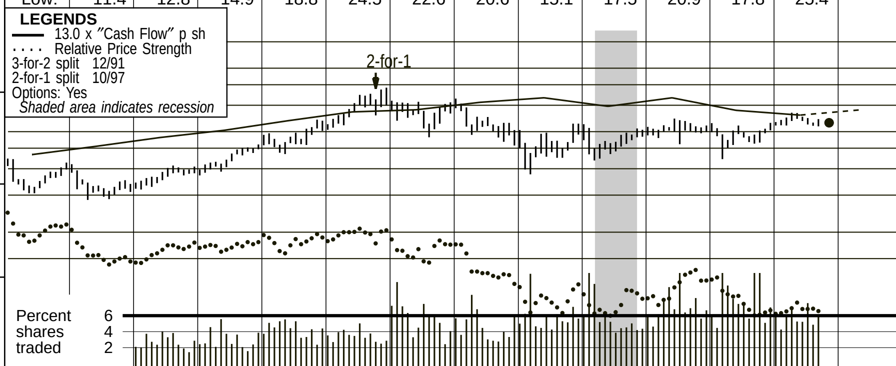
Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	0	0	0	0	1	0
Options	0	0	0	0	1	7	0	2	1
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	268	234	208
to Sell	204	212	237
Hld's(000)	301174	296065	299631

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	16.8	16.6	20.9	27.4	38.8	33.6	34.4	26.2	26.0	27.7	29.5
Low:	11.4	12.8	14.9	18.8	24.5	22.6	20.6	15.1	17.5	20.9	25.4



Target Price Range

2007	2008	2009

% TOT. RETURN 9/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	26.0	18.8
3 yr.	29.3	55.9
5 yr.	36.1	63.9

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	G2001	2002	2003	H2004	2005	© VALUE LINE PUB., INC.	07-09
26.99	31.34	42.10	46.55	45.74	47.23	52.04	53.27	54.64	53.35	51.95	52.22	53.22	51.87	52.41	37.48	27.92	*29.90*	Sales per sh A	*34.35*
.69	.83	.97	1.29	1.44	1.57	1.73	1.87	2.08	2.29	2.34	2.54	2.67	2.43	2.67	2.33	2.21	*2.35*	"Cash Flow" per sh	*2.90*
.43	.54	.62	.71	.75	.79	.91	1.03	1.17	1.34	1.36	1.46	1.67	1.33	1.47	1.58	1.50	*1.60*	Earnings per sh B	*2.00*
.14	.17	.19	.22	.26	.32	.35	.42	.46	.53	.61	.69	.79	.88	.93	.98	1.03	*1.07*	Div'ds Decl'd per sh C ■	*1.20*
.39	.45	.53	.79	.80	.75	.87	.95	1.47	1.49	1.24	1.41	1.13	1.07	1.01	.74	.68	*.80*	Cap'l Spending per sh	*.85*
2.32	2.62	2.98	4.34	4.81	4.51	4.93	5.51	4.97	5.49	6.06	6.18	6.21	7.60	8.17	8.73	9.30	*9.35*	Book Value per sh D	*10.80*
351.09	361.83	368.19	419.02	463.93	455.64	451.82	452.55	454.28	449.92	458.93	470.99	476.97	524.28	527.14	529.34	520.13	*505.00*	Common Shs Outst'g E	*485.00*
14.6	12.6	14.2	17.6	19.8	18.1	14.5	15.4	17.1	18.7	23.9	19.8	13.5	16.0	15.6	15.3	16.7		Avg Ann'l P/E Ratio	*18.0*
1.21	.95	1.05	1.12	1.20	1.07	.95	1.03	1.07	1.08	1.24	1.13	.88	.82	.85	.87	.89		Relative P/E Ratio	*1.20*
2.3%	2.4%	2.2%	1.8%	1.7%	2.3%	2.7%	2.6%	2.3%	2.1%	1.9%	2.4%	3.5%	4.1%	4.1%	4.1%	4.1%		Avg Ann'l Div'd Yield	*3.3%*
						23512	24109	24822	24002	23841	24594	25386	27194	27630	19839	14522	*15100*	Sales ($mill) A	*16650*
						5.7%	6.1%	6.6%	7.1%	7.4%	7.9%	7.2%	7.8%	8.3%	9.6%	11.9%	*13.0%*	Operating Margin	*13.5%*
						368.4	375.8	407.9	413.8	446.3	499.8	471.0	592.9	623.2	391.9	352.3	*360*	Depreciation ($mill)	*415*
						437.1	495.6	545.2	615.0	628.0	696.3	800.7	682.5	783.0	840.1	796.0	*830*	Net Profit ($mill)	*985*
						39.3%	40.0%	40.5%	39.6%	38.5%	38.0%	24.0%	38.2%	38.2%	34.2%	30.9%	*38.0%*	Income Tax Rate	*38.0%*
						1.9%	2.1%	2.2%	2.6%	2.6%	2.8%	3.2%	2.5%	2.8%	4.2%	5.5%	*5.5%*	Net Profit Margin	*5.9%*
						390.5	1175.3	373.2	215.4	417.2	269.7	477.3	427.0	2120.5	2256.2	2143.3	*2300*	Working Cap'l ($mill)	*2925*
						2206.8	2520.0	2262.9	2355.7	2487.4	2543.1	2566.8	4109.5	5743.7	5395.2	5280.7	*5100*	Long-Term Debt ($mill)	*4900*
						2682.5	2850.3	2255.5	2471.7	2778.9	2908.8	2964.1	3983.2	4308.2	4621.7	4839.5	*4730*	Shr. Equity ($mill)	*5235*
						11.1%	11.2%	14.4%	14.8%	13.9%	14.6%	16.3%	10.4%	9.7%	10.0%	9.5%	*10.0%*	Return on Total Cap'l	*11.0%*
						16.3%	17.4%	24.2%	24.9%	22.6%	23.9%	27.0%	17.1%	18.2%	18.2%	16.4%	*17.5%*	Return on Shr. Equity	*19.0%*
						11.7%	11.9%	14.6%	15.6%	13.1%	13.2%	14.4%	5.8%	7.0%	7.2%	5.4%	*6.0%*	Retained to Com Eq	*7.5%*
						40%	40%	40%	37%	42%	45%	47%	66%	62%	61%	67%	*67%*	All Div'ds to Net Prof	*60%*

CAPITAL STRUCTURE as of 8/29/04
Total Debt $5676.7 mill. **Due in 5 Yrs** $1685.0 mill.
LT Debt $5287.4 mill. **LT Interest** $315.0 mill.
(LT interest earned: 4.5x; Total interest coverage: 4.4x) (53% of Cap'l)

Leases, Uncapitalized Annual rentals $90.0 mill.
Pension Assets-5/04 $1.9 bill. **Oblig.** $2.1 bill.

Pfd Stock None
Common Stock 514,294,524 shs.[F]

MARKET CAP: $ 13.6 billion (Large Cap)

CURRENT POSITION ($MILL.)	2003	2004	8/29/04
Cash Assets	628.6	588.7	369.8
Receivables	976.0	1324.1	1349.7
Inventory (LIFO)	3274.8	2625.6	2640.3
Other	1180.2	606.5	543.6
Current Assets	6059.6	5144.9	4903.4
Accts Payable	1277.0	940.8	873.5
Debt Due	535.6	413.0	389.3
Other	1990.8	1647.8	1691.2
Current Liab.	3803.4	3001.6	2954.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '02-'04 to '07-'09
Sales	-2.0%	-5.5%	*NMF*
"Cash Flow"	4.5%	- -	*4.0%*
Earnings	6.5%	2.0%	*5.5%*
Dividends	12.0%	10.0%	*4.0%*
Book Value	6.5%	8.0%	*4.5%*

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A G H Aug.Per	Nov.Per	Feb.Per	May Per	Full Fiscal Year
2001	7077	7282	6398	6437	27194
2002	7607	7363	6245	6415	27630
2003	6529	5438	3962	3910	19839
2004	3229	3805	3526	3962	14522
2005	3496	*3955*	*3600*	*4049*	*15100*

Fiscal Year Ends	EARNINGS PER SHARE A B H Aug.Per	Nov.Per	Feb.Per	May Per	Full Fiscal Year
2001	.34	.54	.22	.23	1.33
2002	.36	.44	.31	.36	1.47
2003	.43	.44	.29	.42	1.58
2004	.32	.45	.36	.37	1.50
2005	.28	*.43*	*.44*	*.45*	*1.60*

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.204	.204	.204	.225	.84
2001	.225	.225	.225	.235	.91
2002	.235	.235	.235	.248	.95
2003	.248	.248	.248	.26	1.00
2004	.26	.26	.26	.273	

BUSINESS: ConAgra Foods, Inc. is a consumer food company that markets and manufacturers a variety of products sold in supermarkets and restaurants. Popular consumer brands include *Healthy Choice*, *Chef Boyardee*, *Wesson*, *Orville Redenbacher*, *Slim Jim*, *Reddi-wip*, and *Hunt's*. It operates through three divisions: Retail Products, Foodservice Products, and Food Ingredients. Acquired International Home Foods, 8/00. Sold its fresh beef & pork operations, 9/02; canned seafood, 5/03; chicken and agriculture, 11/03. Depr. rate: 6.3%. Has 39,000 empls., over 33,000 shareholders. Off./dir. own 2.9% of common shs. (8/04 proxy). Chairman, CEO, & Pres.: Bruce Rohde. Inc.: DE. Addr.: One ConAgra Drive, Omaha, NE 68102-5001. Tel.: 402-595-4000. Internet: www.conagra.com.

ConAgra Foods' operating environment is difficult. The company has not been immune to some of the food processing industry's problems. Indeed, ConAgra posted a 12.5% earnings decline in the first quarter (ended August 29th). The shortfall can be primarily attributed to higher costs (discussed below). Specifically, CAG's retail products division absorbed $45 million of increased production costs in the first quarter.

The road ahead does not get any easier. The main problem remains rising operating costs. Although grain and meat prices have stabilized a bit, they still remain at elevated levels. Too, the cost of energy and packaging materials (i.e., cardboard boxes and cans) continue to rise. These costs have more than offset some gains from favorable grain future contracts. Unfortunately, ConAgra, like most of its competitors, have been unsuccessful in its attempt to offset the higher costs through product price increases. Moreover, the strong performance of the food ingredients segment (operating profits doubled in the August period) is likely to return to lower, more normal levels. In fact, the first-quarter rebound was primarily due to a favorable environment for CAG's input merchandising operation (formerly known as the Trade Group), which typically does well in a period of commodity volatility. With the volatility likely to subside, as the new crops come in and the global grain stocks increase to more acceptable levels, profit growth in this unit will likely decline.

The Retail Products segment has performed well of late. The company's largest unit posted an 8% volume increase in the quarter. Although the growth is encouraging, investors should note that CAG was up against easy comparisons. We are also concerned that many of CAG's larger brands are still not first or second in a number of selling categories. ConAgra faces intense competition from industry heavyweights Kraft, General Mills, and Unilever in both the private-label and branded food categories.

These good-quality shares don't stand out for the year ahead or the 3- to 5-year pull. An attractive dividend yield, however, may appeal to income investors.

William G. Ferguson *November 5, 2004*

(A) FY ends last Sun. in May. (B) Dil. egs. beginning in '97. Excl. n/r items: '90, 1¢; '93, 26¢; '96, d78¢; '97, d3¢; '98, d3¢; '99, d71¢; '00, d81¢; '01, d9¢; '03; d12¢; '04, d2¢. Disc. items: '04, 18¢. Next egs. rprt. due late Dec. Egs. may not sum to total due to share count change. (C) Div'ds paid in early Mar., June, Sept., Dec. ■ Div'd reinv. plan. (D) Incl. intang. In '04, *$8.90*/sh. (E) In mill., adj. for splits. (F) Excl. *6.4 mill.* shs. in Empl. Equity Fund. (G) Due to an acctg. chng., FY 2001 was restated. (H) FY 2004 data reflect recent divestitures.

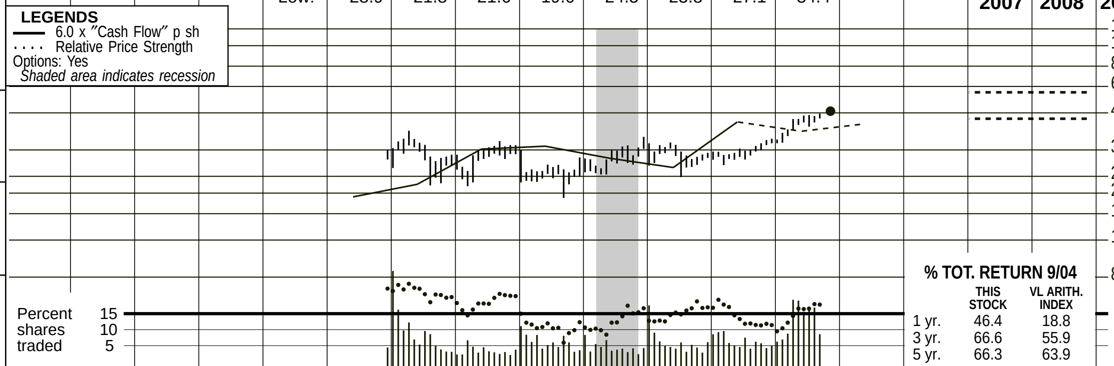
Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	30
Earnings Predictability	85

CORN PROD. INT'L. NYSE-CPO

RECENT PRICE	48.86	P/E RATIO	17.5 (Trailing: 17.5 Median: NMF)	RELATIVE P/E RATIO	0.97	DIV'D YLD	1.0%	VALUE LINE

TIMELINESS 2 Raised 4/30/04
SAFETY 2 Raised 5/7/04
TECHNICAL 2 Raised 10/8/04
BETA .75 (1.00 = Market)

	1997	1998	1999	2000	2001	2002	2003	2004
High:	32.0	39.5	35.3	31.9	37.0	34.8	36.3	49.0
Low:	28.9	21.8	21.6	19.0	24.5	23.8	27.1	34.4



% TOT. RETURN 9/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	46.4	18.8
3 yr.	66.6	55.9
5 yr.	66.3	63.9

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+25%)	6%
Low	45	(-10%)	-1%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	0	0	1	0	0	0
Options	0	0	0	0	4	2	5	1	0
to Sell	0	0	0	0	5	2	5	1	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	84	87	97
to Sell	59	71	73
Hld's(000)	27407	28290	30700

Corn Products International, Inc., formed in March 1997 to assume the operations of the corn refining business of Bestfoods, Inc., (formerly CPC International Inc.), was spun off from its parent on December 31, 1997. Bestfoods transferred the assets and liabilities of its Corn Refining Business to CPO and then distributed all of the common stock of CPO to holders of common stock of Bestfoods. 35,594,360 shares were issued for the new company.

1994	1995	1996D	1997D	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
- -	- -	- -	39.84	38.55	46.95	52.88	50.11	49.68	58.80	***61.35***	***64.30***	Sales per sh	***76.50***
- -	- -	- -	3.20	3.67	5.38	5.56	4.89	4.41	7.25	***6.85***	***7.25***	"Cash Flow" per sh	***8.80***
- -	- -	- -	.28	1.19	2.06	1.72	1.50	1.77	2.11	***2.70***	***2.95***	Earnings per sh A	***3.75***
- -	- -	- -	- -	.08	.34	.40	.40	.40	.40	***.48***	***.48***	Div'ds Decl'd per sh B	***.56***
- -	- -	- -	3.26	2.42	4.38	4.05	2.50	2.07	2.32	***2.45***	***2.70***	Cap'l Spending per sh	***2.95***
- -	- -	- -	27.70	28.04	27.79	27.22	22.76	21.99	25.49	***25.55***	***27.95***	Book Value per sh	***36.60***
- -	- -	- -	35.59	37.56	36.96	35.27	37.66	37.66	35.75	***37.00***	***37.00***	Common Shs Outst'g C	***37.00***
- -	- -	- -	NMF	25.7	14.3	14.4	19.3	17.0	15.0	*Bold figures are*		Avg Ann'l P/E Ratio	***13.5***
- -	- -	- -	NMF	1.34	.82	.94	.99	.93	.86	*Value Line*		Relative P/E Ratio	***.90***
- -	- -	- -	- -	.3%	1.2%	1.6%	1.4%	1.3%	1.3%	*estimates*		Avg Ann'l Div'd Yield	***1.1%***
- -	- -	1524.0	1418.0	1448.0	1735.0	1865.0	1887.0	1871.0	2101.8	***2270***	***2380***	Sales ($mill)	***2830***
- -	- -	9.4%	10.6%	11.4%	16.0%	16.4%	14.7%	12.6%	17.0%	***15.0%***	***14.5%***	Operating Margin	***14.5%***
- -	- -	88.0	103.0	95.0	122.0	135.0	127.0	103.0	183.0	***154***	***159***	Depreciation ($mill)	***185***
- -	- -	23.0	11.0	43.0	77.0	61.0	57.0	63.0	76.0	***100***	***110***	Net Profit ($mill)	***140***
- -	- -	32.4%	35.0%	35.2%	35.4%	35.2%	35.3%	35.9%	36.3%	***35.0%***	***35.0%***	Income Tax Rate	***35.0%***
- -	- -	1.5%	.8%	3.0%	4.4%	3.3%	3.0%	3.4%	3.6%	***4.4%***	***4.6%***	Net Profit Margin	***4.9%***
- -	- -	147.0	d73.0	60.0	116.0	69.0	d120.0	d120.0	153.0	***190***	***280***	Working Cap'l ($mill)	***620***
- -	- -	188.0	13.0	154.0	322.0	453.0	312.0	516.0	452.0	***400***	***400***	Long-Term Debt ($mill)	***300***
- -	- -	1025.0	986.0	1053.0	1027.0	960.0	857.0	828.0	911.0	***945***	***1035***	Shr. Equity ($mill)	***1355***
- -	- -	2.3%	1.6%	3.8%	6.3%	5.3%	5.9%	6.0%	7.0%	***8.5%***	***8.5%***	Return on Total Cap'l	***9.0%***
- -	- -	2.2%	1.1%	4.1%	7.5%	6.4%	6.7%	7.6%	8.3%	***10.5%***	***10.5%***	Return on Shr. Equity	***10.5%***
- -	- -	2.2%	1.1%	3.8%	6.2%	4.9%	4.0%	5.3%	6.1%	***8.5%***	***8.5%***	Retained to Com Eq	***8.5%***
- -	- -	- -	- -	7%	17%	23%	40%	30%	26%	***22%***	***20%***	All Div'ds to Net Prof	***18%***

CAPITAL STRUCTURE as of 9/30/04

Total Debt $578.0 mill. **Due in 5 Yrs** $450.0 mill.

LT Debt $479.0 mill. **LT Interest** $22.0 mill.
(Total interest coverage: 2.5x)
(32% of Cap'l)

Leases, Uncapitalized Annual rentals $16.2 mill.
No Defined Benefit Pension Plan
Pfd Stock None

Common Stock 37,046,387 shs

Market Cap: $1.8 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2002	2003	9/30/04
Cash Assets	65.0	70.0	138.0
Receivables	279.0	252.0	315.0
Inventory (LIFO)	201.0	215.0	230.0
Other	10.0	10.0	12.0
Current Assets	555.0	547.0	695.0
Accts Payable	110.0	130.0	300.0
Debt Due	444.0	98.0	99.0
Other	121.0	166.0	51.0
Current Liab.	675.0	394.0	450.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Sales	- -	6.0%	6.5%
"Cash Flow"	- -	10.0%	8.0%
Earnings	- -	19.5%	13.0%
Dividends	- -	- -	6.0%
Book Value	- -	-3.5%	7.5%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	454.3	482.2	474.3	476.2	1887.0
2002	431.9	486.2	480.1	472.8	1871.0
2003	479.4	539.3	540.7	542.4	2101.8
2004	550.4	572.0	587.4	***560.2***	***2270***
2005	***580***	***600***	***620***	***580***	***2380***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.36	.43	.45	.26	1.50
2002	.31	.52	.48	.46	1.77
2003	.38	.52	.55	.66	2.11
2004	.70	.79	.64	***.57***	***2.70***
2005	***.80***	***.81***	***.72***	***.62***	***2.95***

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.10	.10	.10	.10	.40
2001	.10	.10	.10	.10	.40
2002	.10	.10	.10	.10	.40
2003	.10	.10	.10	.10	.40
2004	.12	.12	.12		

BUSINESS: Corn Products International, Inc., one of the world's largest corn refiners, produces high-quality food ingredients (high fructose, glucose, and maltose corn syrups) and industrial products (starches, enzymes, co-products) derived from the wet milling of corn and other starch-based materials. Operates 37 plants in 19 countries. North American operations account for 63% of 2003 cons. sales, 39% of profits. 2003 Depreciation rate 6.5%. Has 6,000 employees, 21,000 shareholders. Barclay Global Investors, N.A., 7.4% of common stock; officers/directors, 9.1% (3/04 proxy). Chairman, President and CEO: Samuel C. Scott III. Inc.: DE. Address: 6500 South Archer Road, Bedford Park, IL 60501. Telephone: 708-563-2400. Internet:www.cornproducts.com.

Corn Products' top line is benefiting from growing international demand for high fructose corn syrup (HFCS). In fact, net sales in the company's South America and Asia/Africa regions were up 8% and 13%, respectively. Strong sales were fueled by favorable pricing and product mix, particularly in Brazil.

We would not be surprised to see the company expand further into Asia. The company has good free cash flows and with a long-term debt-to-capital ratio of about 30%, it has the capacity to make acquisitions. China, Pakistan, and Thailand are countries where it has sought to expand in recent years. We feel an acquisition in Asia would make sense, as Corn has experience there. In the third quarter, 18% of its operating income ($8.5 million) was from Asia/Africa, and we expect profits to improve as much of that region has large populations and bottling companies that do not currently use corn syrups in their products.

Corn's business in Mexico continues to raise question marks. Since early 2002, when the Mexican government first implemented a 20% tax on HFCS, there has been a lot of uncertainty for the company south of the border. Soon after the tariff was implemented, President Fox revoked the tax, only to have it reinstated shortly thereafter. President Fox has continued to lobby to have the tax removed, although we think that the Mexican sugar lobby's influence will not allow that to happen unless U.S. companies slow down their sugar exports and concede some of their business in Mexico. Notably, there were increased shipments of HFCS to beverage accounts in Mexico late in the third quarter. This is a positive sign for future sales in Mexico if this proves to be the beginning of a trend, as it would give a boost to CPO's top and bottom lines. All told, we have raised our 2004 and 2005 share net estimates by a nickel each to $2.70 and $2.95, respectively.

These shares are a good choice for the year ahead. We look for Corn's earnings to improve at an upper-single-digit rate. However, the stock price is up over 40% from our year-ago report and is already trading within the 3- to 5-year Target Price Range we project.

George Y. Lee *November 5, 2004*

(A) Diluted shares. Excludes nonrecurring gains/(losses): '97, ($2.41); '00, ($0.37); '01, $0.10; '02, $0.14. Next earnings report due mid-January.
(B) Dividends historically paid in January, April, July, and October.
(C) In millions.
(D) Pro forma figures for 1996 and 1997.

Company's Financial Strength	B++
Stock's Price Stability	85
Price Growth Persistence	65
Earnings Predictability	60

CURTISS-WRIGHT NYSE-CW

RECENT PRICE	55.15	P/E RATIO	17.9 (Trailing: 20.9 / Median: 12.0)	RELATIVE P/E RATIO	1.02	DIV'D YLD	0.7%	VALUE LINE

TIMELINESS **2** Raised 8/6/04
SAFETY **2** Raised 2/9/96
TECHNICAL **3** Lowered 9/24/04
BETA .70 (1.00 = Market)

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:							10.1	9.3	13.4	13.8	19.9	24.2	20.3	25.6	26.8	40.1	47.3	60.3
Low:							7.8	8.2	8.8	12.4	12.4	16.5	15.2	16.7	19.9	22.5	26.0	43.5

2007-09 PROJECTIONS

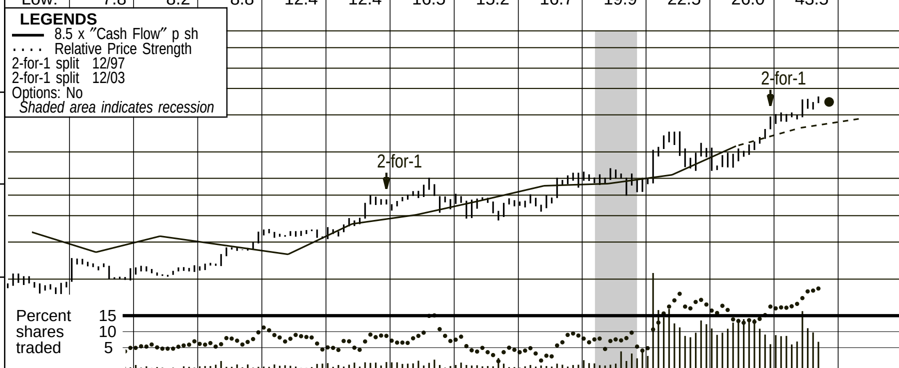
	Price	Gain	Ann'l Total Return
High	75	(+35%)	9%
Low	55	(Nil)	1%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	1	0	0	0	0	0
Options	1	0	1	1	0	0	1	0	0
to Sell	1	0	2	3	0	0	1	0	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	62	64	82
to Sell	40	44	35
Hld's(000)	10574	11152	11692



Target Price Range

2007	2008	2009
120 / 100 / 80 / 64 / 48 / 32 / 24 / 20 / 16 / 12 / 8		

% TOT. RETURN 9/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	63.3	18.8
3 yr.	152.6	55.9
5 yr.	273.6	63.9

1988	1989	1990E	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
8.56	9.33	9.86	9.45	8.88	7.85	7.66	7.60	8.39	10.78	12.24	14.60	16.45	16.53	24.98	35.89	43.00	47.65	Sales per sh	56.80
1.73	2.02	1.61	1.58	1.57	1.26	1.50	1.36	1.23	1.72	1.90	2.22	2.61	2.67	2.94	4.02	4.90	5.45	"Cash Flow" per sh	7.20
1.18	1.46	1.03	.98	.98	.70	.97	.90	.79	1.26	1.41	1.55	1.87	1.99	2.00	2.50	2.95	3.50	Earnings per sh A	5.00
.40	.40	.33	.25	.25	.25	.25	.25	.25	.25	.26	.26	.26	.27	.30	.32	.36	.38	Div'ds Decl'd per sh B	.50
1.04	.63	.58	.38	.33	.24	.23	.34	.70	.55	.52	.99	.47	.93	1.70	1.60	1.40	1.55	Cap'l Spending per sh	1.90
12.24	13.44	6.11	6.92	7.67	7.13	7.84	8.48	9.02	10.07	11.26	12.87	14.49	16.85	20.02	23.04	25.10	28.35	Book Value per sh C	40.00
19.97	20.04	20.17	20.24	20.24	20.24	20.24	20.31	20.32	20.35	20.38	20.08	20.03	20.77	20.54	20.79	21.50	21.50	Common Shs Outst'g D	22.00
10.8	9.9	6.7	7.9	7.7	12.7	9.0	11.7	16.6	12.7	13.9	11.6	10.9	11.9	15.8	13.2	Bold figures are		Avg Ann'l P/E Ratio	13.0
.90	.75	.50	.50	.47	.75	.59	.78	1.04	.73	.72	.66	.71	.61	.86	.76	Value Line		Relative P/E Ratio	.85
3.2%	2.8%	4.7%	3.2%	3.3%	2.8%	2.9%	2.4%	1.9%	1.6%	1.3%	1.4%	1.3%	1.1%	1.0%	1.0%	estimates		Avg Ann'l Div'd Yield	.8%

CAPITAL STRUCTURE as of 6/30/04
Total Debt $302.0 mill. **Due in 5 Yrs** $15.2 mill.
LT Debt $301.0 mill. **LT Interest** $12.0 mill.
(Total interest coverage: 9.6x) (37% of Cap'l)

Leases, Uncapitalized Annual rentals $10.4 mill.
Pension Assets-12/03 $199.0 mill. **Oblig.** $126.5 mill.

Preferred Stock None
Common Stock 21,368,819 shares
Includes 8,764,246 Class B shares
as of 7/31/04
MARKET CAP: $1.2 billion (Mid Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
155.0	154.4	170.5	219.4	249.4	293.3	329.6	343.2	513.3	746.1	925	1025	Sales ($mill)	1250
18.9%	16.0%	16.5%	19.3%	17.8%	17.8%	20.2%	17.2%	15.6%	16.2%	16.5%	17.0%	Operating Margin	18.0%
10.9	9.5	8.9	9.1	9.7	12.9	14.3	14.7	18.7	31.3	40.0	42.0	Depreciation ($mill)	48.0
19.5	18.2	16.1	25.9	29.1	31.7	37.9	40.6	41.6	52.3	65.0	75.0	Net Profit ($mill)	110
32.0%	33.9%	33.2%	32.7%	38.9%	43.4%	39.6%	35.8%	39.7%	37.8%	37.5%	37.5%	Income Tax Rate	37.5%
12.6%	11.8%	9.4%	11.8%	11.6%	10.8%	11.5%	11.8%	8.1%	7.0%	7.0%	7.3%	Net Profit Margin	8.8%
108.3	120.5	115.4	132.8	130.8	124.5	149.8	149.9	137.2	238.6	175	250	Working Cap'l ($mill)	420
9.0	10.3	10.3	10.3	20.2	34.2	24.7	21.4	119.0	224.2	325	325	Long-Term Debt ($mill)	200
158.8	172.2	183.4	204.9	229.6	258.4	290.2	350.0	411.2	478.9	540	610	Shr. Equity ($mill)	880
11.8%	10.1%	8.4%	12.1%	11.7%	11.0%	12.2%	11.1%	8.0%	7.8%	8.0%	9.0%	Return on Total Cap'l	10.5%
12.3%	10.6%	8.8%	12.6%	12.7%	12.3%	13.1%	11.6%	10.1%	10.9%	12.0%	12.5%	Return on Shr. Equity	12.5%
9.1%	7.6%	6.0%	10.1%	10.3%	10.2%	11.3%	10.1%	8.6%	9.6%	10.5%	11.0%	Retained to Com Eq	11.5%
26%	28%	32%	20%	18%	17%	14%	13%	15%	12%	12%	11%	All Div'ds to Net Prof	11%

CURRENT POSITION ($MILL.)	2002	2003	6/30/04
Cash Assets	48.0	98.7	36.8
Receivables	142.8	143.4	174.5
Inventory (Avg Cst)	80.2	97.9	114.8
Other	30.7	34.5	38.0
Current Assets	301.7	374.5	364.1
Accts Payable	41.2	43.8	54.6
Debt Due	32.8	1.0	1.0
Other	90.5	91.1	99.8
Current Liab.	164.5	135.9	155.4

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Sales	11.5%	20.0%	14.0%
"Cash Flow"	8.0%	14.5%	14.5%
Earnings	9.5%	13.5%	15.0%
Dividends	1.5%	3.0%	9.0%
Book Value	10.5%	14.5%	12.5%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	79.9	86.6	79.4	97.3	343.2
2002	97.8	121.8	119.6	174.1	513.3
2003	179.9	182.9	189.6	193.7	746.1
2004	214.9	222.4	235	252.7	925
2005	250	255	255	265	1025

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.45	.51	.43	.60	1.99
2002	.47	.52	.44	.57	2.00
2003	.68	.52	.60	.70	2.50
2004	.67	.67	.76	.85	2.95
2005	.80	.85	.90	.95	3.50

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	- -	.065	.065	.130	.26
2001	- -	.065	.065	.140	.27
2002	- -	.075	.075	.150	.30
2003	- -	.075	.075	.165	.32
2004	- -	.09	.09	.09	

BUSINESS: Curtiss-Wright Corp. is a diversified manufacturer that produces precision components and systems and provides highly engineered services in three segments: Flow Control (46% of '03 sales) provides valves for military and commercial use and for nuclear reactors. Motion Control (36%) makes systems for military and commercial aircraft and ground vehicles. Metal Treatment (18%) provides metal-improvement services.'03 depr. rate: 7.8%. Officers & directors own 3.0% of common. Gabelli, 11.0%; Royce & Assoc., 10.0%; Barclays Global Inv., 6.6% (3/04 proxy). Has about 4,650 employees, 7,740 shareholders. Chrmn. & CEO: Martin R. Benante. Inc.: DE. Address: 4 Becker Farm Road, Roseland, NJ 07068. Telephone: 973-597-4700. Internet: www.curtisswright.com.

We estimate that Curtiss-Wright's earnings will increase nearly 20% in 2004 and 2005. The company continues to integrate newly acquired companies quickly and take advantage of synergies produced, as operating income is rising faster than revenues. Also, the company continues to see increases in new orders. In fact, new orders climbed 13% year over year in the first six months of 2004, and order backlog surged to a record high of $559.4 million. Last month, Curtiss-Wright won a $7.3 million order from United Defense Ground Systems that should contribute nicely to both the top and bottom lines. The company's flow control business should continue to report strong growth as the U.S. Navy's demand for electronic products increases and more opportunities arise to sell to government users, such as the Department of Energy. The metal treatment segment will probably continue to benefit from a pickup in the general economy and industrial markets. Also, strong sales from its laser-beaming services ought to allow this segment to grow rapidly into 2005.

The company continues its aggressive acquisition strategy. In September, Curtiss-Wright purchased Synergy Microsystems for $49 million in cash. Synergy, with an estimated $23 million in sales in 2004, will operate as a business unit of CW's motion control segment. The company will likely remain active on the acquisitions front; note, though, that our presentation excludes the impact of potential acquisitions until they close. However, Curtiss-Wright's spending spree has caused interest expense to surge, while the integration of newly acquired companies has slowly deteriorated margins. In order to support more acquisitions, the company must further leverage its balance sheet.

These shares are ranked 2 (Above Average) for Timeliness. However, after more than doubling off their lows in early 2003, their current price appears to discount a good portion of the earnings growth we predict out to 2007-2009. Indeed, these shares already trade within our 3- to 5-year Target Price Range. However, our projections may prove to be conservative as acquisitions could enhance the company's long-term profit potential.

Erik Antonson *October 29, 2004*

(A) Primary earnings through 1996, then diluted. Excl. extra. gains: '88, 21¢; '89, 8¢. Excl. nonrecur. gains: '88, 25¢; '90, 11¢; '91, 14¢; '92, 18¢; '97, 20¢; '99, 72¢; '00, 12¢; '01, $2.17; '02, 37¢; '04, 7¢. losses: '90, $1.38; '93, $1.95; '94, 3¢; '00, 31¢; '02, 3¢. Next earnings report due early Nov. (B) Dividends historically paid in late-Apr., late-Jul., late-Oct., and mid-Dec. ■ Dividend reinvestment plan available. (C) Incl. intang. In '03: $268.3 mill., $12.90/sh. (D) In mill., adjusted for stock splits. (E) Special dividend of $15/sh. paid 8/15/90.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	100
Earnings Predictability	95

DENTSPLY INTERNT'L NDQ-XRAY

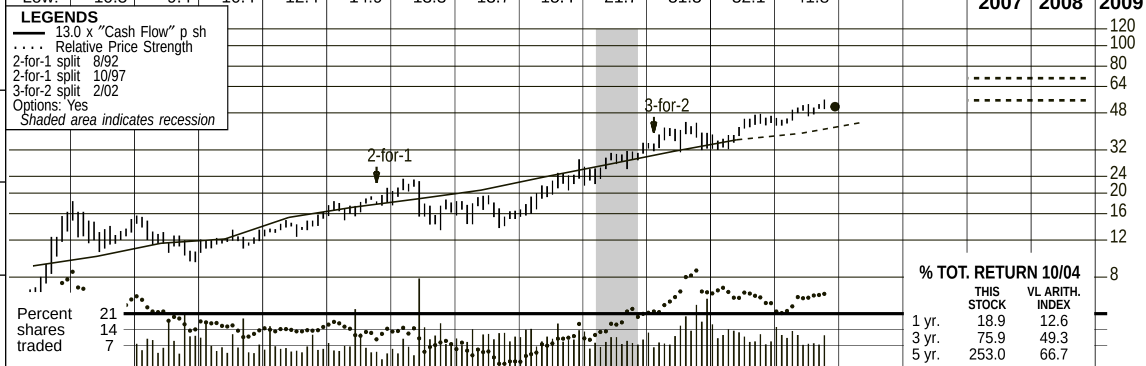
RECENT PRICE 51.35 | P/E RATIO 21.0 (Trailing: 22.0 / Median: 18.0) | RELATIVE P/E RATIO 1.12 | DIV'D YLD 0.5% | VALUE LINE

TIMELINESS 3 Lowered 1/16/04
SAFETY 2 Raised 6/8/01
TECHNICAL 3 Lowered 11/26/04
BETA .70 (1.00 = Market)

High:	18.3	15.7	13.4	16.3	21.2	23.4	19.5	28.9	34.7	43.5	47.4	55.6
Low:	10.5	9.4	10.4	12.4	14.9	13.3	13.7	15.4	21.7	31.3	32.1	41.8

Target Price Range 2007 | 2008 | 2009

LEGENDS
13.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 8/92
2-for-1 split 10/97
3-for-2 split 2/02
Options: Yes
Shaded area indicates recession



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	70	(+35%)	9%
Low	55	(+5%)	3%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	1	0	0	0	0	0	0	0
Options	2	4	0	0	1	0	0	2	0
to Sell	2	3	0	1	1	0	0	2	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	141	148	158
to Sell	112	123	125
Hld's(000)	58099	58902	59318

% TOT. RETURN 10/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	18.9	12.6
3 yr.	75.9	49.3
5 yr.	253.0	66.7

1988	1989	1990	1991	1992^E	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
1.05	1.66	2.23	2.83	6.98	6.65	6.30	7.06	8.14	8.88	9.76	10.20	11.47	14.49	19.31	19.81	*20.75*	*22.30*	Sales per sh	*28.55*
.13	.20	.22	.28	.70	.77	.89	.93	1.18	1.32	1.45	1.59	1.84	2.11	2.42	2.75	*2.95*	*3.35*	"Cash Flow" per sh	*4.40*
.10	.14	.13	.20	.47	.60	.65	.67	.83	.92	1.00	1.13	1.29	1.39	1.83	2.14	*2.35*	*2.60*	Earnings per sh A	*3.50*
- -	- -	- -	- -	- -	- -	.03	.10	.11	.13	.14	.15	.17	.18	.18	.19	*.21*	*.22*	Div'ds Decl'd per sh B	*.36*
.01	.02	.04	.04	.21	.13	.17	.22	.26	.34	.39	.41	.37	.63	.73	.97	*.80*	*.90*	Cap'l Spending per sh	*.90*
.59	.73	1.17	1.89	1.38	2.84	3.59	3.90	4.53	5.22	5.08	5.76	6.71	7.82	10.66	14.15	*16.85*	*18.95*	Book Value per sh D	*26.30*
17.70	17.70	24.40	29.91	72.73	83.10	83.27	81.00	80.70	81.15	81.45	81.45	77.55	77.90	78.40	79.30	*80.70*	*80.00*	Common Shs Outst'g C	*77.00*
- -	12.3	16.2	22.0	22.8	21.9	18.8	17.8	16.8	19.2	18.3	14.7	16.2	20.1	20.3	18.8	*Bold figures are*		Avg Ann'l P/E Ratio	*18.0*
- -	.93	1.20	1.41	1.38	1.29	1.23	1.19	1.05	1.11	.95	.84	1.05	1.03	1.11	1.09	*Value Line*		Relative P/E Ratio	*1.20*
- -	- -	- -	- -	- -	- -	.2%	.9%	.8%	.7%	.8%	.9%	.8%	.7%	.5%	.5%	*estimates*		Avg Ann'l Div'd Yield	*.6%*

CAPITAL STRUCTURE as of 9/30/04
Total Debt $804.5 mill. **Due in 5 Yrs** $804.5 mill.
LT Debt $782.0 mill. **LT Interest** $32.6 mill.
(LT earned: 11.6x; tot. cov.: 11.3x) (37% of Cap'l)

Leases, Uncapitalized Annual rentals $18.1 mill.
Pension Assets-12/03 $60.1 mill. **Oblig.** $122.6 mill.

Pfd Stock None
Common Stock 80,687,915 shs.
as of 11/5/04

MARKET CAP: $4.1 billion (Mid Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
524.8	572.0	656.6	720.8	795.1	830.9	889.8	1129.1	1513.7	1570.9	*1675*	*1785*	Sales ($mill)	*2200*
22.4%	21.4%	22.5%	22.9%	22.5%	22.8%	23.1%	21.1%	19.7%	20.2%	*21.0%*	*21.5%*	Operating Margin	*22.5%*
20.0	21.5	28.1	32.4	37.5	39.6	41.4	54.3	43.9	45.7	*50.0*	*52.0*	Depreciation ($mill)	*62.0*
54.1	54.0	67.2	74.6	80.2	89.9	101.0	109.9	146.1	172.6	*190*	*215*	Net Profit ($mill)	*275*
40.9%	40.1%	39.4%	38.9%	36.7%	34.9%	33.5%	34.4%	33.0%	32.3%	*31.0%*	*31.0%*	Income Tax Rate	*31.0%*
10.3%	9.4%	10.2%	10.3%	10.1%	10.8%	11.4%	9.7%	9.7%	11.0%	*11.3%*	*12.0%*	Net Profit Margin	*12.5%*
99.8	128.5	113.6	107.7	128.1	138.5	157.4	125.7	175.3	389.8	*625*	*550*	Working Cap'l ($mill)	*600*
12.8	68.7	75.1	105.5	217.5	145.3	109.5	723.5	769.8	790.2	*780*	*750*	Long-Term Debt ($mill)	*600*
299.3	315.9	365.6	423.9	413.8	468.9	520.4	609.5	835.9	1122.1	*1360*	*1515*	Shr. Equity ($mill) D	*2025*
18.0%	14.9%	16.5%	15.2%	13.8%	15.5%	16.6%	9.0%	10.0%	9.7%	*8.5%*	*9.5%*	Return on Total Cap'l	*9.0%*
18.1%	17.1%	18.4%	17.6%	19.4%	19.2%	19.4%	18.0%	17.5%	15.4%	*14.0%*	*14.0%*	Return on Shr. Equity	*13.5%*
17.4%	14.5%	16.0%	15.2%	16.7%	16.6%	16.9%	15.7%	15.8%	14.0%	*13.0%*	*12.5%*	Retained to Com Eq	*12.0%*
4%	15%	13%	14%	14%	13%	13%	13%	10%	9%	*9%*	*8%*	All Div'ds to Net Prof	*10%*

CURRENT POSITION ($MILL.)	2002	2003	9/30/04
Cash Assets	25.7	163.8	407.3
Receivables	221.3	241.4	241.9
Inventory (FIFO)	214.5	205.6	212.1
Other	79.5	116.7	93.7
Current Assets	541.0	727.5	955.0
Accts Payable	66.6	86.3	74.0
Debt Due	4.6	22.0	22.5
Other	294.5	229.4	219.0
Current Liab.	365.7	337.7	315.5

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Sales	12.5%	15.0%	*8.0%*
"Cash Flow"	15.5%	13.0%	*10.5%*
Earnings	15.5%	14.5%	*12.0%*
Dividends	- -	8.0%	*11.5%*
Book Value	18.0%	17.0%	*16.0%*

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	245.7	254.6	253.5	375.3	1129.1
2002	354.9	381.0	366.0	411.8	1513.7
2003	371.2	394.5	375.5	429.7	1570.9
2004	415.4	425.3	390.6	*443.7*	*1675*
2005	*430*	*450*	*430*	*475*	*1785*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.31	.34	.33	.41	1.39
2002	.40	.46	.44	.53	1.83
2003	.48	.55	.51	.60	2.14
2004	.56	.60	.56	*.63*	*2.35*
2005	*.60*	*.65*	*.62*	*.73*	*2.60*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.042	.042	.042	.042	.17
2001	.046	.046	.046	.046	.18
2002	.046	.046	.046	.046	.18
2003	.046	.046	.046	.053	.19
2004	.053	.053	.053	.053	

BUSINESS: Dentsply International Inc. develops, manufactures, and markets products for the dental industry. Dental consumable and laboratory products include artificial teeth, root canal instruments, impression materials, dental sealants, and anesthetics. Dental equipment includes dental x-ray systems, intraoral cameras, computer imaging systems and related software. Divested medical equip. unit 12/94. Foreign sales accounted for about 58% of '03 total. Has about 7,600 emplys.; 26,500 shrhldrs. Dentsply ESOP owns 8.7% of common; FMR Corp., 11.8%; Off. & Dir., 3.1% (4/04 Proxy). Chairman: John C. Miles II. CEO: Gerald K. Kunkle, Jr. Inc.: Delaware. Address: 570 West College Avenue, P.O. Box 872, York, PA 17405. Tel.: 717-845-7511. Internet: www.dentsply.com.

A couple of external factors slowed Dentsply's already sluggish top-line advance in the September quarter . . . Factoring out both low-margined, highly volatile precious metal sales and divestitures, the maker of dental products has posted decent revenue gains in recent years. Significantly, though, most of the reported growth stems from persistent exchange-rate tailwinds. Indeed, same-currency internal growth of late has ranged from the low- to mid-single-digits. Year-over-year organic growth measured a mere 1.7% in the third quarter. U.S. sales in the period were hurt by hurricanes in the Southeast, where Dentsply conducts some 17% of its domestic business. Foreign contributions, meantime, were limited by reimbursement issues in Germany, which accounts for 50%-55% of European sales.

. . . and their impact will likely linger through year's end. Damage to dental practices, plus dentists that were already working full schedules, suggests that business in the Southeast will be subpar this quarter. Government budget constraints in Germany also spell little relief there until the new year begins. As such, we have trimmed a penny from our share-net estimate for the December quarter. Our full-year figure stays at $2.35, however, since the company topped our third-period estimate by a cent, excluding a $2.1 million restructuring charge and a $2.9 million benefit in prior-period tax adjustments.

We still expect a nominal double-digit share-net gain in 2005. Dentsply launched 18 new products in 2004's first nine months, and will have introduced another seven by yearend, including noninjectable anesthetic *Oraqix*, which is being distributed by Johnson & Johnson. Forthcoming changes in German reimbursement policy augur well for next year, and we assume relative normalcy in the southeast U.S. As well, incremental margin gains are likely as management continues to streamline its infrastructure and business practices.

These shares have no special appeal at the current valuation. They aren't timely for the year ahead. Moreover, long-term earnings growth and share-price appreciation potential aren't particularly exciting. Finally, the issue's dividend yield is well below average.

George Rho *December 3, 2004*

(A) Diluted earnings. Prior to '97, egs. based on avg. shares out. Prior to '92, years ended 3/31 of following year, cal. year thereafter. Excl. nonrec. gains/(losses): '93, (23¢); '94, 8¢; '98, (57¢); '01, 15¢; '02, 2¢; '03, 3¢; '04, 1¢. Extra. chg.: '93, (19¢). Disc. op.: '94, 2¢; '03, 5¢; '04, 53¢. Next egs. report due late Jan. (B) Dividends historically paid in early January, April, July, and October. (C) In millions, adjusted for stock splits. (D) Incl. intang. In '03, $1209.7 mill., $15.25/sh. (E) Pre-1992 figures for GENDEX only.

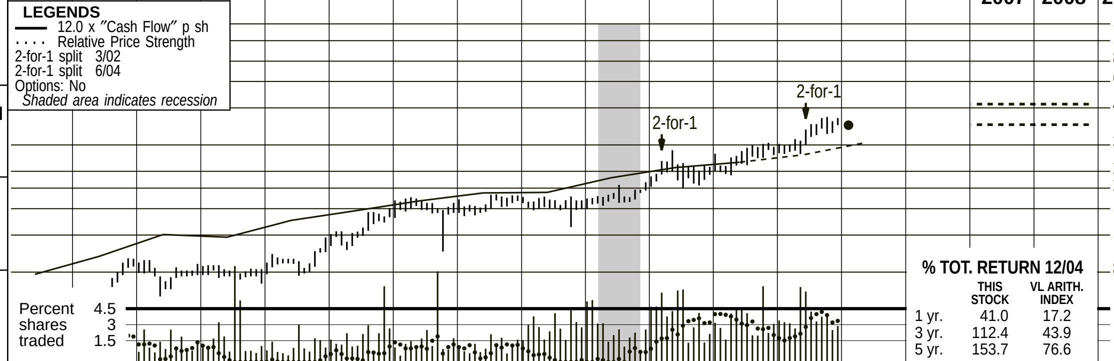
Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	85
Earnings Predictability	100

FRANKLIN ELECTRIC NDQ-FELE

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	
39.77	22.7 (Trailing: 24.1; Median: 15.0)	1.21	0.8%	VALUE LINE

TIMELINESS **3** Raised 4/23/04
SAFETY **2** Raised 7/18/03
TECHNICAL **3** Lowered 1/7/05
BETA .65 (1.00 = Market)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	9.3	9.1	8.6	11.7	16.1	18.1	18.7	18.3	21.3	30.3	32.8	43.5
Low:	5.5	6.1	7.1	7.7	10.2	10.0	14.8	13.1	16.0	20.0	23.0	29.0



Target Price Range 2007 | 2008 | 2009

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+25%)	7%
Low	40	(Nil)	1%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	4	0	4	1	0	0	1	0	0
to Sell	2	0	1	0	0	0	0	0	0

Institutional Decisions

	1Q2004	2Q2004	3Q2004
to Buy	40	45	37
to Sell	27	31	38
Hld's(000)	12074	12397	12625

% TOT. RETURN 12/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	41.0	17.2
3 yr.	112.4	43.9
5 yr.	153.7	76.6

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
14.27	7.21	7.44	7.56	8.02	8.28	9.74	11.05	11.80	12.97	12.22	13.54	14.80	15.13	16.39	16.47	*18.65*	*19.55*	Sales per sh A	*25.00*
1.27	.58	.49	.58	.65	.79	1.00	.98	1.17	1.30	1.45	1.58	1.59	1.87	2.08	2.21	*2.40*	*2.75*	"Cash Flow" per sh	*3.85*
.76	.78	.32	.39	.46	.59	.71	.59	.81	.91	1.01	1.15	1.07	1.20	1.42	1.53	*1.70*	*2.00*	Earnings per sh B	*3.00*
.16	.12	- -	- -	- -	.04	.07	.10	.12	.14	.17	.19	.22	.24	.26	.28	.32	*.36*	Div'ds Decl'd per sh C	*.48*
.43	.17	.13	.18	.24	.26	.31	.24	.24	.37	1.10	.63	.64	.31	.72	.70	*.90*	*.95*	Cap'l Spending per sh	*.90*
3.85	.11	.48	.94	1.37	2.01	2.62	3.22	3.92	3.97	4.11	4.45	5.27	5.78	7.07	8.84	*10.00*	*11.35*	Book Value per sh E	*17.05*
11.46	23.93	24.05	24.34	24.75	24.92	24.80	25.02	25.48	23.39	22.30	21.65	22.02	21.34	21.65	21.83	*22.00*	*22.00*	Common Shs Outst'g D	*22.00*
8.8	- -	7.2	9.7	12.2	11.6	11.0	13.5	11.3	14.0	16.2	14.6	15.8	15.1	16.8	18.5	*23.5*		Avg Ann'l P/E Ratio	*15.0*
.73	- -	.53	.62	.74	.69	.72	.90	.71	.81	.84	.83	1.03	.77	.92	1.06	*1.25*		Relative P/E Ratio	*1.00*
2.4%	- -	- -	- -	- -	.5%	.9%	1.2%	1.3%	1.1%	1.0%	1.1%	1.3%	1.3%	1.1%	1.0%	.8%		Av'g Ann'l Div'd Yield	*1.1%*

CAPITAL STRUCTURE as of 10/2/04
Total Debt $15.7 mill. **Due in 5 Yrs** $5.0 mill.
LT Debt $14.3 mill. **LT Interest** $1.0 mill.
(7% of Cap'l)

Pension Assets $115.9 mill. **Oblig.** $124.7 mill.

Pfd Stock None

Common Stock 22,011,432 shs.
as of 11/1/04

MARKET CAP: $875 million (Small Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
241.4	276.4	300.7	303.3	272.5	293.2	325.7	322.9	354.9	359.5	*410*	*430*	Sales ($mill) A	*550*
15.0%	12.1%	13.8%	14.4%	16.7%	17.0%	15.7%	18.0%	17.8%	18.3%	*18.5%*	*20.0%*	Operating Margin	*22.0%*
6.4	8.9	8.4	7.3	7.5	7.5	10.8	12.7	12.9	13.7	*15.0*	*16.0*	Depreciation ($mill)	*19.0*
18.7	15.5	21.5	23.2	24.8	26.8	24.2	27.2	32.2	34.5	*38.0*	*44.0*	Net Profit ($mill)	*66.0*
38.1%	36.2%	35.5%	37.3%	38.1%	36.8%	38.1%	37.4%	36.2%	32.8%	*35.5%*	*35.5%*	Income Tax Rate	*35.5%*
7.7%	5.6%	7.2%	7.7%	9.1%	9.1%	7.4%	8.4%	9.1%	9.6%	*9.3%*	*10.2%*	Net Profit Margin	*12.0%*
48.4	67.1	88.2	88.0	61.9	56.8	54.9	69.2	62.8	82.6	*105*	*120*	Working Cap'l ($mill)	*175*
20.0	20.2	20.3	19.2	18.1	17.1	15.9	14.5	25.9	15.0	*14.0*	*13.0*	Long-Term Debt ($mill)	*10.0*
64.9	80.6	99.8	92.8	91.6	96.3	116.0	123.3	153.1	192.9	*220*	*250*	Shr. Equity ($mill) E	*375*
23.0%	16.2%	18.5%	21.4%	23.2%	24.2%	18.8%	20.1%	18.3%	16.8%	*16.5%*	*17.0%*	Return on Total Cap'l	*17.5%*
28.8%	19.2%	21.5%	25.0%	27.1%	27.8%	20.9%	22.0%	21.0%	17.9%	*17.5%*	*17.5%*	Return on Shr. Equity	*17.5%*
	16.3%	18.6%	21.4%	22.9%	23.4%	16.8%	17.9%	17.4%	14.8%	*14.0%*	*14.5%*	Retained to Com Eq	*14.5%*
10%	15%	14%	15%	15%	16%	19%	19%	17%	17%	*19%*	*18%*	All Div'ds to Net Prof	*16%*

CURRENT POSITION ($MILL.)	2001	2002	10/2/04
Cash Assets	23.7	20.1	61.6
Receivables	27.5	31.7	25.8
Inventory (LIFO)	48.0	48.3	60.2
Other	10.4	12.9	14.0
Current Assets	109.6	113.0	161.6
Accts Payable	11.7	18.6	20.4
Debt Due	1.1	1.5	1.4
Other	27.6	30.1	40.0
Current Liab.	40.4	50.2	61.8

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Sales	7.0%	5.5%	*7.5%*
"Cash Flow"	12.0%	9.5%	*11.0%*
Earnings	11.0%	8.5%	*14.0%*
Dividends	- -	12.5%	*11.5%*
Book Value	17.5%	12.5%	*15.5%*

Cal-endar	QUARTERLY SALES ($ mill.) A Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2001	65.9	82.8	86.8	87.4	322.9
2002	68.1	93.7	97.1	96.0	354.9
2003	69.8	93.8	99.7	96.2	359.5
2004	80.2	106.1	110.3	*113.4*	*410*
2005	*90.0*	*110*	*115*	*115*	*430*

Cal-endar	EARNINGS PER SHARE AB Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2001	.13	.29	.36	.42	1.20
2002	.16	.40	.43	.43	1.42
2003	.18	.42	.47	.46	1.53
2004	.23	.47	.48	*.47*	*1.70*
2005	*.30*	*.50*	*.60*	*.60*	*2.00*

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.055	.065	.06	.06	.24
2002	.06	.065	.065	.065	.26
2003	.065	.07	.07	.07	.28
2004	.07	.08	.08	.08	.31
2005					

BUSINESS: Franklin Electric Company, Inc. is a leading manufacturer of submersible electric motors primarily for water well pumping systems and fueling systems. Also produces fractional horsepower electric motors and electronic controls. Sells primarily to original equipment manufacturers through a direct sales force. Foreign sales: 36% of '03 total. 2003 depreciation rate: 7.2%. Has 2,500 employees; 1,088 shareholders of record. Officers and directors own 15.5% of common stock; Wells Fargo, 10.8%; Select Equity Group, 10.7%; 4 other large holders, 29.7% (3/04 Proxy). Chairman and Chief Executive Officer: Scott Trumbull. Inc.: Indiana. Address: 400 East Spring Street, Bluffton, Indiana 46714-3798. Telephone: 260-824-2900. Internet: www.franklinelect.com.

Franklin Electric's third-quarter sales were bolstered by nonoperating factors that may not necessarily be repeated. Strengthened foreign currency provided $2.2 million more from exchange rates than a year earlier. Some of Franklin's sales strength in North America Water Systems came from OEM customers buying ahead of a price increase precipitated by enormous increases in steel and copper, as well as Franklin's previously announced plan to sell to Water Systems Distributors, in addition to existing OEM pump manufacturers.

Profits, however, are sure to be pressured for another year or so. Franklin is in the midst of moving a significant amount of production to lower-cost regions of the world, as well as consolidating certain manufacturing operations. About $3.7 million worth of the required restructuring expenses had been expended through the first three quarters of 2004, and another $6.3 million outlay is planned through the end of 2005.

Submersible motor products' distribution strategy has been modified for the better. The new arrangement was challenged by Pentair Pump Group and Sta-Rite Industries. The issue was settled amicably, however, and apparently without any significant penalty.

Profits may be temporarily constrained by extra expenses, but the multiyear impact is not yet determinable. As the Far East commoditizes the manufacturing world, we think it was mandatory that Franklin take action to reduce its costs and selling prices. It is not yet clear, however, whether the moves will allow profits to increase by a very substantial amount over the next 3 to 5 years. But it's likely that the restructuring costs will hold Franklin shares to being market performers in the year ahead. The outcome through 2007-2009, however, isn't clear, however, and we're maintaining our 3- to 5-year profit projection at $3.00 a share, which would likely lead to a Target Range that's insufficient to provide enough share-price appreciation to attract investors. With little price volatility, good finances, and a moderate dividend yield, Franklin stock is a safe enough holding for most investors, however.

Lucien Virgile *January 14, 2005*

(A) Yr. ends Sat. closest to Dec. 31st.
(B) Diluted earnings. Excl. net nonrecurring items: '88, 3¢; '89, 3¢; '90, 1¢; '91, 3¢; '92, 2¢; '93, 8¢; '97, 18¢; '00, (18¢). Next earnings report due late January.
(C) Dividends historically paid in late February, May, August, November. (D) In millions, adjusted for split. (E) Includes intangibles. At 1/03/04: $70.0 million, $3.21 a share.

Company's Financial Strength	B++
Stock's Price Stability	85
Price Growth Persistence	100
Earnings Predictability	90

GENERAL MILLS NYSE-GIS

RECENT PRICE **43.82** | P/E RATIO **15.3** (Trailing: 15.8 Median: NMF) | RELATIVE P/E RATIO **0.85** | DIV'D YLD **2.8%** | **VALUE LINE**

TIMELINESS **4** Lowered 10/1/04
SAFETY **1** Raised 11/5/04
TECHNICAL **3** Lowered 9/24/04
BETA .55 (1.00 = Market)

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	70	(+60%)	15%
Low	60	(+35%)	11%

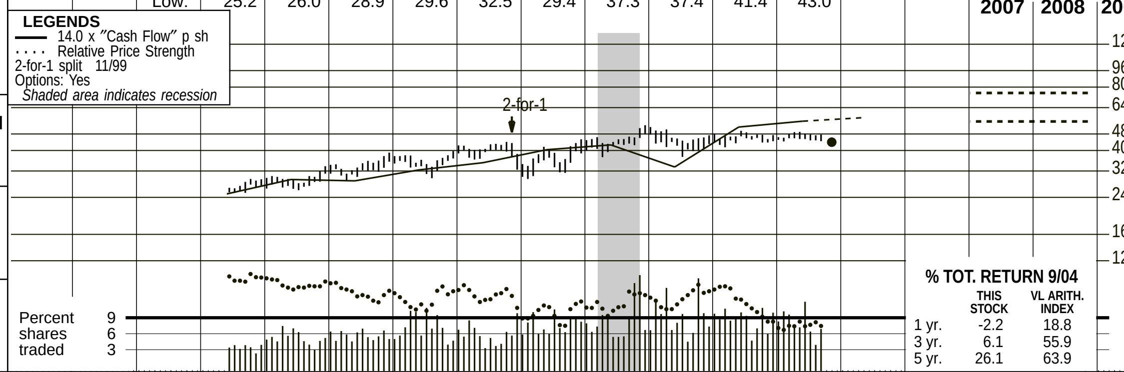
Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	0	0	0	0	0	0
Options	2	2	1	3	1	3	1	2	0
to Sell	0	0	1	0	0	0	0	2	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	280	261	229
to Sell	232	255	259
Hld's(000)	208721	220341	214815

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	29.4	33.8	39.1	39.8	43.9	45.3	52.9	51.7	49.7	49.2	
Low:	25.2	26.0	28.9	29.6	32.5	29.4	37.3	37.4	41.4	43.0	



Target Price Range
2007 | 2008 | 2009

% TOT. RETURN 9/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	-2.2	18.8
3 yr.	6.1	55.9
5 yr.	26.1	63.9

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
--	--	--	--	--	16.01	16.81	15.91	17.03	17.54	19.49	20.55	23.51	24.82	21.66	28.39	29.21	30.40	Sales per sh A	31.90
--	--	--	--	--	1.85	1.90	1.78	2.09	2.06	2.32	2.50	2.89	3.04	2.39	3.69	3.94	4.10	"Cash Flow" per sh	4.85
--	--	--	--	--	1.36	1.35	1.18	1.50	1.50	1.61	1.80	2.00	2.20	1.70	2.65	2.85	2.85	Earnings per sh A B	3.65
--	--	--	--	--	.84	.94	.94	.96	1.02	1.06	1.08	1.10	1.10	1.10	1.10	1.10	1.24	Div'ds Decl'd per sh C■	1.50
--	--	--	--	--	--	--	--	.53	.64	.62	.92	.94	1.08	1.38	1.92	1.66	1.30	Cap'l Spending per sh	1.40
--	--	--	--	--	--	4.02	.45	.97	1.55	.61	.54	d1.01	.18	9.74	11.28	13.85	16.10	Book Value per sh D	21.80
--	--	--	--	--	321.00	317.00	316.00	318.00	319.80	309.60	304.00	285.00	285.20	367.00	370.00	379.00	370.00	Common Shs Outst'g G	400.00
--	--	--	--	--	--	--	--	18.5	20.1	21.8	20.4	19.0	17.9	27.2	16.6	16.2		Avg Ann'l P/E Ratio	18.0
--	--	--	--	--	--	--	--	1.16	1.16	1.13	1.16	1.24	.92	1.49	.95	.85		Relative P/E Ratio	1.20
--	--	--	--	--	--	--	--	3.4%	3.4%	3.0%	2.9%	2.9%	2.8%	2.4%	2.5%	2.4%		Avg Ann'l Div'd Yield	2.3%

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
5327.2	5026.7	5416.0	5609.3	6033.0	6246.1	6700.2	7077.7	7949.0	10506	11070	11250	Sales ($mill) A	12750
17.8%	17.5%	19.3%	18.6%	19.0%	19.4%	19.5%	19.7%	19.7%	22.5%	22.4%	21.0%	Operating Margin	22.5%
173.8	191.4	186.7	182.8	194.9	194.2	208.8	223.1	296.0	365.0	399.0	420	Depreciation ($mill)	480
427.1	371.7	476.4	474.6	522.0	566.8	614.4	643.2	581.0	1002.0	1094.0	1090	Net Profit ($mill)	1465
38.5%	36.8%	36.8%	36.6%	37.0%	36.0%	35.5%	35.0%	36.1%	35.0%	35.0%	35.0%	Income Tax Rate	35.0%
8.0%	7.4%	8.8%	8.5%	8.7%	9.1%	9.2%	9.1%	7.3%	9.5%	9.9%	9.7%	Net Profit Margin	11.5%
d629.7	d324.0	d196.8	d281.2	d408.4	d597.8	d1339	d800.6	d2310	d265.0	458.0	650	Working Cap'l ($mill)	825
1413.3	1400.9	1220.9	1530.4	1640.4	1702.4	1760.3	2221.0	5591.0	7516.0	7410.0	6950	Long-Term Debt ($mill)	4500
1273.2	141.0	307.7	494.6	190.2	164.2	d288.8	52.2	3576.0	4175.0	5248.0	5965	Shr. Equity ($mill)	8715
17.0%	27.0%	34.1%	25.7%	31.4%	33.6%	46.0%	30.6%	7.8%	10.4%	10.7%	10.0%	Return on Total Cap'l	12.0%
33.5%	NMF	NMF	NMF	NMF	NMF	NMF	NMF	16.2%	24.0%	20.8%	18.5%	Return on Shr. Equity	17.0%
33.5%	NMF	NMF	NMF	NMF	NMF	NMF	NMF	6.2%	14.3%	13.0%	10.5%	Retained to Com Eq	10.0%
--	--	64%	68%	64%	58%	54%	49%	62%	41%	38%	43%	All Div'ds to Net Prof	41%

CAPITAL STRUCTURE as of 8/29/04

Total Debt $8062.0 mill. **Due in 5 Yrs** $8062.0 mil.
LT Debt $7426.0 mill. **LT Interest** $450.0 mil.
(Total interest coverage: 3.9x)
(58% of Cap'l)
Leases, Uncapitalized Annual rentals $69 mill.
Plan Assets-5/03 $2.5 bill. **Oblig.** $2.8 bill.
Pfd Stock None

Common Stock 380,949,361 shs.
as of 9/22/04
(Options exercisable: 10.0%)
MARKET CAP: $16.7 billion (Large Cap)

CURRENT POSITION ($MILL.)	2003	2004	8/29/04
Cash Assets	703.0	751.0	480.0
Receivables	980.0	1010.0	1053.0
Inventory (LIFO)	1082.0	1063.0	1246.0
Other	414.0	391.0	345.0
Current Assets	3179.0	3215.0	3124.0
Accts Payable	1303.0	1145.0	1086.0
Debt Due	1341.0	816.0	636.0
Other	800.0	796.0	801.0
Current Liab.	3444.0	2757.0	2523.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '02-'04 to '07-'09
Sales	5.0%	6.5%	4.0%
"Cash Flow"	6.0%	8.0%	7.5%
Earnings	6.0%	8.0%	8.5%
Dividends	2.0%	1.0%	6.5%
Book Value	11.0%	67.0%	13.5%

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Aug.Per	Nov.Per	Feb.Per	May Per	Full Fiscal Year
2001	1675	1895	1702	1806	7078
2002	1404	1842	2379	2324	F7949
2003	2362	2953	2645	2546	10506
2004	2518	3060	2703	2789	11070
2005	2585	3175	2800	2690	11250

Fiscal Year Ends	EARNINGS PER SHARE ABE Aug.Per	Nov.Per	Feb.Per	May Per	Full Fiscal Year
2001	.55	.70	.54	.42	2.20
2002	.62	.63	.28	.25	1.70
2003	.56	.77	.67	.64	2.65
2004	.62	.85	.64	.74	2.85
2005	.55	.88	.70	.72	2.85

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.275	.275	.275	.275	1.10
2001	.275	.275	.275	.275	1.10
2002	.275	.275	.275	.275	1.10
2003	.275	.275	.275	.275	1.10
2004	.275	.275	.31		

BUSINESS: General Mills, Inc. processes and markets consumer foods. Sales breakdown (excl. joint ventures): U.S. Retail, including cereals, U.S. Pillsbury, baking/snacks/yogurt, meals (70% of total); Bakeries & Foodservice (16%), and International (14%). Well known brands: *Cheerios*, *Wheaties*, *Total*, *Chex*, *Betty Crocker*, *Bisquick*, *Hamburger Helper*, *Yoplait*, and *Colombo*. Acq'd. *Pillsbury* 11/01, *Chex* 2/97. Spun off restaurants 5/95. Owns 50% of Cereal Partners Worldwide with Nestle; 40.5% Snack Ventures Europe with PepsiCo. Has 27,500 employees. Insiders own 2.4% of stock; Diageo US Ltd., 20.8% (8/04 proxy). Chairman & CEO: S.W. Sanger. Inc.: Delaware. Address: P.O. Box 1113, Minneapolis, MN 55440. Tel.: 612-540-2311. Internet: www.generalmills.com.

General Mills got off to a slow start in fiscal 2005 (began May 31st). August-quarter earnings declined 11%, with lower profits in Bakery & Foodservices and the U.S. Retail divisions offsetting better results from overseas and joint-venture operations. In particular, higher commodity costs and rising healthcare expenses were largely responsible for the downturn at U.S. Retail, the branded-food giant's largest business.

We look for results to improve as the year progresses. (Note that the projected decline in May-quarter share net is due to an extra week in the prior-year period.) Volumes should benefit from the recent heavy slate of new product introductions and waning interest in low-carbohydrate diets, which were a cause for concern last winter. Meanwhile, efforts to improve supply-chain productivity and an easing in some commodity costs point toward a recovery in operating margins in upcoming quarters. Price increases instituted early in the fiscal year could also help, though the impact here depends on the degree to which consumers accept, and competitors follow, these moves. In all, we look for full-year earnings of $2.85, equal to last year's results and at the low end of management's guidance ($2.85-$2.95).

The company is reducing its ties with its largest shareholder. Diageo recently sold about 50 million GIS shares, or about 63% of its ownership stake, which dates back to Mills' purchase of Pillsbury in 2001. General Mills repurchased nearly 17 million of these shares, though, as part of a related transaction, it will ultimately issue a similar amount of shares in 2007. Together, these moves should be modestly accretive to earnings at the outset and, because of certain tax treatments, also provide a window of opportunity for management to sell nonstrategic assets without incurring capital gains taxes.

These shares are ranked to lag the market over the next six to 12 months. The stock, which has traded in a relatively narrow range in recent years, will likely be of most interest to income-oriented investors. The recently raised payout gives this equity a dividend yield about 100 basis points higher than the medium yield for stocks in the *Value Line* universe.

Robert M. Greene, CFA *November 5, 2004*

(A) Fiscal year ends last Sun. in May. (B) Primary egs. through 1997, dil. thereafter. Excl. nonrecurring: '95, 35¢; '98, 20¢; '99, 10¢; '00, 2¢; '01, 8¢; '02, (35¢); '03, (22¢); '04, (10¢). Next egs. rpt. due mid-Dec. (C) Dividends historically paid in Feb, May, Aug., and Nov. ■ Div'd reinvestment plan available. (D) Includes intg. At 5/03: $10,272 mill., $27.76/sh. (E) Quart. egs. may not sum to total due to rounding/changes in shs. outstanding. (F) Revs. restated due to the adoption of ETIF-09. (G) In millions, adjusted for split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	75
Earnings Predictability	75

HILLENBRAND IND. NYSE-HB

RECENT PRICE **48.80** | P/E RATIO **15.0** (Trailing: 13.7 / Median: 18.0) | RELATIVE P/E RATIO **0.86** | DIV'D YLD **2.2%** | **VALUE LINE**

TIMELINESS **5** Lowered 5/14/04
SAFETY **2** Raised 2/2/01
TECHNICAL **4** Lowered 10/22/04
BETA .80 (1.00 = Market)

High:	48.6	43.6	34.1	40.3	51.5	64.7	57.1	56.4	58.5	66.5	62.4	72.9
Low:	36.5	26.6	27.0	31.9	35.5	44.4	26.1	28.8	41.6	46.6	46.5	47.8

Target Price Range

2007	2008	2009

2007-09 PROJECTIONS

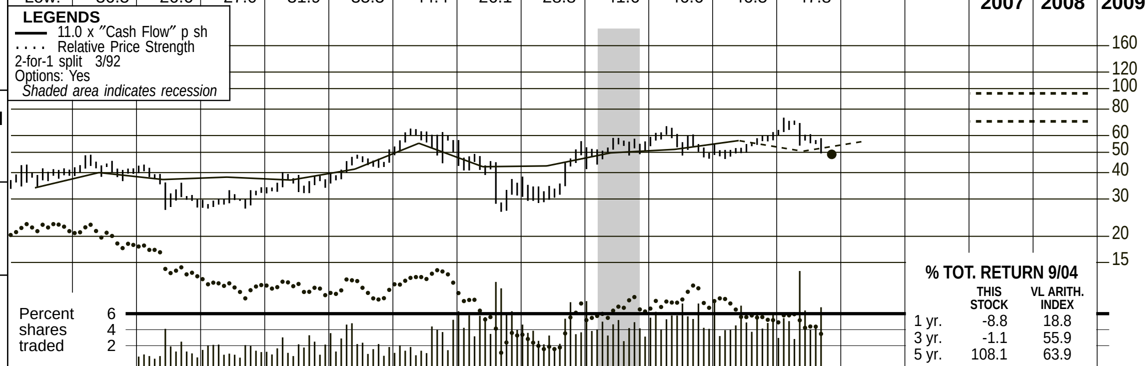
	Price	Gain	Ann'l Total Return
High	95	(+95%)	*19%*
Low	70	(+45%)	*11%*

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	1	0	0	1	0	0	0
Options	0	0	1	2	0	0	0	0	0
to Sell	0	0	3	2	0	0	1	0	1

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	118	126	112
to Sell	90	73	103
Hld's(000)	29591	31095	32030



% TOT. RETURN 9/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	-8.8	18.8
3 yr.	-1.1	55.9
5 yr.	108.1	63.9

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
11.86	15.34	15.11	16.50	19.97	20.32	22.24	23.15	24.48	25.92	30.13	32.21	33.59	33.73	34.80	33.03	*30.30*	*32.25*	Revenues per sh A	*40.00*
1.86	2.10	2.32	2.54	3.08	3.64	3.38	3.47	3.36	3.78	5.01	3.88	3.92	4.51	4.68	5.16	*4.60*	*5.15*	"Cash Flow" per sh	*6.50*
.93	1.01	1.03	1.22	1.47	2.06	2.00	1.64	1.90	2.28	2.73	2.24	2.47	2.89	3.15	3.93	*3.10*	*3.60*	Earnings per sh B	*4.85*
.20	.25	.28	.29	.35	.45	.57	.60	.62	.66	.72	.78	.80	.84	.98	1.00	1.08	*1.08*	Div'ds Decl'd per sh C■	*1.36*
1.54	1.63	1.02	.76	1.36	1.50	1.27	1.46	1.34	1.24	1.33	1.24	1.70	1.62	1.96	1.86	*1.90*	*1.90*	Cap'l Spending per sh	*1.80*
4.74	5.46	5.96	6.76	7.65	8.98	9.78	10.63	11.44	12.93	14.34	13.19	13.32	16.42	16.19	18.75	*19.05*	*21.55*	Book Value per sh D	*23.00*
74.59	74.23	73.22	72.66	71.58	71.26	70.92	70.18	68.79	68.51	66.40	63.55	62.40	62.47	61.70	61.82	*62.00*	*62.00*	Common Shs Outst'g E	*60.00*
16.1	16.5	20.3	19.0	25.9	20.4	17.7	18.0	18.6	18.8	21.0	18.4	14.2	18.0	18.0	13.0	*19.5*		Avg Ann'l P/E Ratio	*17.0*
1.34	1.25	1.51	1.21	1.57	1.21	1.16	1.20	1.17	1.08	1.09	1.05	.92	.92	.98	.74	*1.02*		Relative P/E Ratio	*1.15*
1.3%	1.5%	1.3%	1.3%	.9%	1.1%	1.6%	2.0%	1.8%	1.5%	1.3%	1.9%	2.3%	1.6%	1.7%	2.0%	1.8%		Avg Ann'l Div'd Yield	*1.6%*

CAPITAL STRUCTURE as of 6/30/04
Total Debt $398.0 mill. **Due in 5 Yrs** None
LT Debt $398.0 mill. **LT Interest** $12.0 mill.
(LT interest earned: 21.9x; total interest coverage: 19.8x) (28% of Cap'l)
Leases, Uncapitalized Annual rentals $18.0 mill.
Pension Assets-9/03 $180 mill. **Obligation** $230 mill.
Pfd Stock None
Common Stock 61,880,884 shs. as of 7/23/04
MARKET CAP: $3.0 billion (Mid Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
1577.0	1624.9	1684.0	1776.0	2001.0	2047.0	2096.0	2107.0	2147.0	2042.0	*1880*	*2000*	Revenues ($mill) A	*2400*
21.6%	20.5%	19.9%	20.6%	18.8%	17.0%	16.0%	17.5%	16.8%	23.2%	*21.0%*	*22.0%*	Operating Margin	*23.5%*
97.5	127.6	99.0	102.0	149.0	98.0	89.0	100.0	91.0	75.0	*90.0*	*95.0*	Depreciation ($mill)	*95.0*
142.0	115.7	132.0	157.0	184.0	148.3	155.6	181.7	198.0	244.0	*195*	*225*	Net Profit ($mill)	*295*
38.1%	40.9%	41.3%	39.4%	37.2%	36.4%	36.0%	28.7%	24.7%	35.1%	*36.0%*	*36.0%*	Income Tax Rate	*39.5%*
9.0%	7.1%	7.8%	8.8%	9.2%	7.2%	7.4%	8.6%	9.2%	11.9%	*10.4%*	*11.3%*	Net Profit Margin	*12.3%*
307.2	339.5	374.0	462.0	483.0	411.0	442.0	548.0	407.0	341.0	*265*	*325*	Working Cap'l ($mill)	*85.0*
208.7	206.8	204.0	203.0	303.0	302.0	302.0	305.0	322.0	155.0	*400*	*300*	Long-Term Debt ($mill)	*300*
693.5	745.8	787.0	886.0	952.0	838.0	831.0	1026.0	999.0	1159.0	*1180*	*1335*	Shr. Equity ($mill)	*1380*
16.6%	13.0%	14.1%	15.2%	15.5%	14.0%	14.7%	14.4%	15.6%	19.3%	*13.0%*	*14.0%*	Return on Total Cap'l	*18.0%*
20.5%	15.5%	16.8%	17.7%	19.3%	17.7%	18.7%	17.7%	19.8%	21.1%	*16.5%*	*17.0%*	Return on Shr. Equity	*21.5%*
14.6%	9.8%	11.3%	12.6%	14.3%	11.5%	12.7%	12.5%	13.7%	15.7%	*11.0%*	*12.0%*	Retained to Com Eq	*15.5%*
29%	37%	33%	29%	26%	35%	32%	29%	31%	25%	*34%*	*30%*	All Div'ds to Net Prof	*28%*

CURRENT POSITION ($MILL.)	2002	2003	6/30/04
Cash Assets	296	180	51
Receivables	361	356	372
Inventory (LIFO)	103	92	124
Other	198	80	57
Current Assets	958	708	604
Accts Payable	75	79	69
Debt Due	- -	- -	- -
Other	476	288	346
Current Liab.	551	367	415

BUSINESS: Hillenbrand Industries, Inc., is a holding co. Health-Care Div., (52% of '03 revs., 57% of op. inc.) consists of: Hill-Rom Co., which makes adjust. hospital beds, stretchers, hospital-room furniture, and architectural systems designed to meet the needs of critical care and perinatal providers. Funeral Services Div., (48% of '03 revs., 43% of op. inc.) consists of the Batesville Casket Co. (manufactures caskets) and Forethought, a provider of funeral planning products. Sold Medeco 7/98. BLOCK Medical 7/95, Has approx. 10,300 employees, 17,600 stkhldr. Dir. and off. own 11.7% of stock (1/04 proxy). Chairman: R.J. Hillenbrand. President and CEO: Frederick W. Rockwood. Inc.: IN. Address: 700 State Rt. 46, Batesville, IN 47006. Tel.: 812-934-8400. Internet: www.hillenbrand.com.

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Revenues	6.0%	4.5%	*3.0%*
"Cash Flow"	4.5%	3.5%	*5.5%*
Earnings	7.5%	7.5%	*6.5%*
Dividends	10.0%	7.0%	*6.5%*
Book Value	8.0%	6.0%	*5.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A				Full Fiscal Year
	Feb.Per	May Per	Aug.Per	Nov.Per	
2001	525	525	514	543	2107
	Dec.Per	Mar.Per	Jun.Per	Sep.Per	
2002	543	533	496	575	2147
2003	449	526	526	541	2042
2004	434	482	461	*503*	*1880*
2005	*450*	*500*	*510*	*540*	*2000*

Fiscal Year Ends	EARNINGS PER SHARE A B				Full Fiscal Year
	Feb.Per	May Per	Aug.Per	Nov.Per	
2001	.61	.65	.65	.98	2.89
	Dec.Per	Mar.Per	Jun.Per	Sep.Per	
2002	.94	.84	.52	.85	3.15
2003	.77	1.00	1.10	1.06	3.93
2004	.71	.85	.71	*.83*	*3.10*
2005	*.78*	*.94*	*.83*	*1.05*	*3.60*

Cal-endar	QUARTERLY DIVIDENDS PAID C■				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2000	.20	.20	.20	.20	.80
2001	.21	.21	.21	.21	.84
2002	.21	.31	.23	.23	.98
2003	.25	.25	.25	.25	1.00
2004	.27	.27	.27		

Hillenbrand Industries likely finished fiscal 2004 (year ended September 30th) on a sour note. Management announced that increased raw material costs, primarily for steel and wood at its casket division, and to a lesser extent at its healthcare equipment segment, have weighed heavily on fourth-quarter share net. This sent the share price tumbling. The value of HB stock remains about 14% below where it was three months ago. In addition to much higher input costs, casket volume appears to have fallen off, reflecting the low United States mortality rate and a slow-moving trend towards cremation. This does not seem to be specific to Hillenbrand, given that two of the largest funeral home companies also reported volume declines in the quarter. Moreover, the healthcare-equipment market in Europe continues to be challenging. As a result, we have lowered our fiscal 2004 earnings estimate by $0.20, to $3.10 a share, near the lower end of management's new guidance.

We have not adjusted our earnings estimate for fiscal 2005. We had already taken into account the increased raw material prices and lower casket volume. Plus, we believe that our target of $3.60 a share was conservative to begin with. We will review our estimate as the quarter progresses.

The company's balance sheet remains solid. Hillenbrand Industries has about $50 million in cash. Additionally, long-term debt has stayed below 30% of total capital for the past few years. We estimate that capital expenditures will remain limited over the next three to five years since capacity is sufficient. These figures, combined with the fact that the company generates substantial cash flow, provide it with significant financial flexibility. That said, we expect Hillenbrand to repurchase shares, to reduce long-term debt, and/or to make small acquisitions, probably for the healthcare side of the business.

These untimely shares offer above-average appreciation potential to 2007–2009, based on our share-net projections to that timeframe. The earnings growth that we envision counts on a sustained rebound in HB's markets and an increase in higher-margin sales.

Justin T. Sebastiano *October 29, 2004*

(A) Fiscal year ends Sat. nearest Sep. 30th. '85-'01, Sat. nearest Nov. 30th.
(B) Prim. egs. through 1997, dil. thereafter; Excl. nonrec. gns./(ls.): '94, (74¢); '95, (37¢); '96, (12¢), '98, 8¢; '99, (36¢); '00, (3¢); '01, (21¢); '02, ($2.50); '03, ($1.00). Disc'd ops.: '03, ($0.71). Next egs. report due mid-Nov.
(C) Div'ds historically paid on the last Fri. of Mar., June, Sep., and Dec. Special $.077 div'd/sh., 3/29/02. ■Div'd reinvest. plan avail.
(D) Incl. intang. At 12/31/03: $214.0 mill., $3.47/sh. (E) In mill., adj. for stock split.

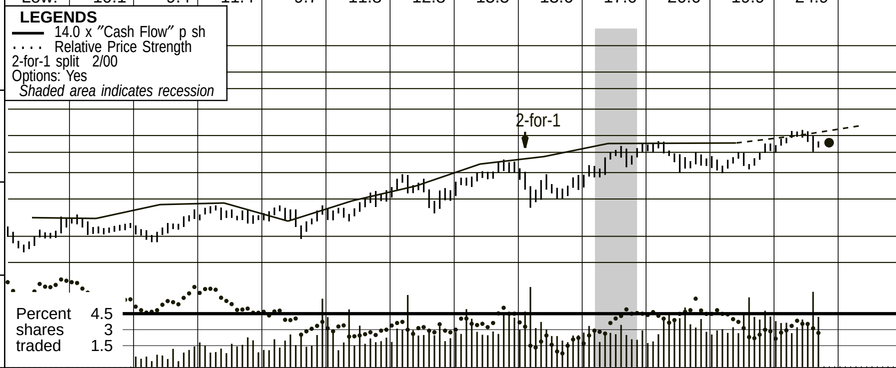
Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	55
Earnings Predictability	80

HORMEL FOODS NYSE-HRL

RECENT PRICE **27.75** | P/E RATIO **18.0** (Trailing: 17.8; Median: 17.0) | RELATIVE P/E RATIO **1.00** | DIV'D YLD **1.7%** | **VALUE LINE**

TIMELINESS 5 Lowered 10/29/04
SAFETY 1 Raised 5/12/00
TECHNICAL 2 Raised 10/22/04
BETA .65 (1.00 = Market)

High:	12.7	13.4	14.0	14.0	16.5	19.7	23.1	21.0	27.3	28.2	27.5	31.9
Low:	10.1	9.4	11.4	9.7	11.8	12.8	15.5	13.6	17.0	20.0	19.9	24.9



Target Price Range

2007	2008	2009

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+100%)	20%
Low	45	(+60%)	14%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	1	0	0	0	0	1
Options	3	5	4	6	2	1	2	0	0
to Sell	0	0	2	5	0	1	1	0	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	83	86	85
to Sell	85	76	72
Hld's(000)	37055	37212	37164

% TOT. RETURN 9/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	18.4	18.8
3 yr.	18.7	55.9
5 yr.	36.5	63.9

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
14.96	15.27	17.49	18.50	18.36	18.61	19.98	19.86	19.99	21.49	22.15	23.53	26.52	29.74	28.25	30.31	*33.80*	*35.20*	Sales per sh A	*39.55*
.62	.70	.73	.80	.88	.87	1.01	1.03	.84	1.05	1.24	1.57	1.70	1.97	1.97	1.98	*2.15*	*2.40*	"Cash Flow" per sh	*3.65*
.39	.46	.51	.57	.62	.66	.77	.79	.58	.70	.81	1.09	1.21	1.30	1.35	1.33	*1.48*	*1.70*	Earnings per sh A B	*2.85*
.09	.11	.13	.15	.18	.22	.25	.29	.30	.31	.32	.33	.35	.37	.39	.42	*.45*	*.48*	Div'ds Decl'd per sh C ■	*.72*
.22	.15	.23	.22	.15	.39	.43	.63	.79	.77	.51	.55	.72	.56	.47	.48	*.55*	*.60*	Cap'l Spending per sh	*.70*
2.73	3.07	3.35	3.81	4.20	3.72	4.31	4.77	5.07	5.29	5.52	5.89	6.31	7.18	8.06	9.04	*10.05*	*11.25*	Book Value per sh D	*16.60*
153.30	153.30	153.33	153.28	153.25	153.34	153.38	153.40	155.02	151.55	147.23	142.72	138.57	138.66	138.41	138.60	*139.00*	*139.00*	Common Shs Outst'g E	*139.00*
13.6	13.3	15.8	17.1	15.8	17.0	13.9	16.2	21.2	19.4	20.1	17.2	14.5	16.5	18.3	17.0	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	*18.0*
1.13	1.01	1.17	1.09	.96	1.00	.91	1.08	1.33	1.12	1.05	.98	.94	.85	1.00	.97			Relative P/E Ratio	*1.20*
1.7%	1.8%	1.6%	1.5%	1.8%	2.0%	2.3%	2.3%	2.5%	2.3%	2.0%	1.8%	2.0%	1.7%	1.6%	1.9%			Avg Ann'l Div'd Yield	*1.4%*
						3064.8	3046.2	3098.7	3256.6	3261.0	3357.8	3675.1	4124.1	3910.3	4200.3	*4700*	*4890*	Sales ($mill) A	*5500*
						7.3%	7.2%	5.3%	6.8%	7.5%	8.9%	8.9%	9.5%	10.1%	9.3%	*9.0%*	*9.5%*	Operating Margin	*13.5%*
						36.6	37.2	42.7	52.9	60.3	64.7	65.9	90.2	83.2	88.0	*92.0*	*95.0*	Depreciation ($mill)	*110*
						118.0	120.4	87.9	106.1	121.9	159.6	170.2	182.4	189.3	185.8	*205*	*240*	Net Profit ($mill)	*400*
						38.3%	38.1%	34.5%	36.7%	36.3%	35.0%	35.6%	36.0%	35.6%	35.8%	*36.5%*	*36.5%*	Income Tax Rate	*36.5%*
						3.8%	4.0%	2.8%	3.3%	3.7%	4.8%	4.6%	4.4%	4.8%	4.4%	*4.4%*	*4.9%*	Net Profit Margin	*7.3%*
						443.3	441.5	456.9	410.8	449.7	414.7	368.5	463.1	552.1	382.0	*550*	*550*	Working Cap'l ($mill)	*600*
						10.3	17.0	127.0	198.2	204.9	184.7	145.9	462.4	409.6	395.3	*375*	*350*	Long-Term Debt ($mill)	*300*
						661.1	732.0	785.6	802.2	813.3	841.1	873.9	995.9	1115.3	1252.7	*1395*	*1565*	Shr. Equity ($mill) D	*2305*
						17.6%	16.2%	9.7%	11.3%	12.6%	16.2%	17.4%	13.5%	13.4%	12.2%	*12.5%*	*13.0%*	Return on Total Cap'l	*16.0%*
						17.8%	16.5%	11.2%	13.2%	15.0%	19.0%	19.5%	18.3%	17.0%	14.8%	*14.5%*	*15.5%*	Return on Shr. Equity	*17.5%*
						12.2%	10.6%	5.4%	7.3%	9.1%	13.3%	13.9%	13.2%	12.2%	10.3%	*10.5%*	*11.0%*	Retained to Com Eq	*13.0%*
						32%	36%	52%	44%	39%	30%	29%	28%	28%	31%	*30%*	*28%*	All Div'ds to Net Prof	*25%*

CAPITAL STRUCTURE as of 7/24/04
Total Debt $388.0 mill. **Due in 5 Yrs** $50.0 mill.
LT Debt $372.2 mill. **LT Interest** $30.0 mill. (21% of Cap'l)
Leases, Uncapitalized Annual rentals $9.6 mill.

Pension Assets-10/03 $522.2 mill. **Oblig.** $614.0 mill.

Pfd Stock None

Common Stock 138,760,037 shs.

MARKET CAP: $3.9 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2002	2003	7/24/04
Cash Assets	309.6	98.0	243.6
Receivables	275.5	291.5	258.2
Inventory (FIFO)	355.6	403.2	448.4
Other	21.5	31.3	47.6
Current Assets	962.2	824.0	997.8
Accts Payable	174.1	195.8	192.2
Debt Due	13.8	14.3	15.8
Other	222.2	231.9	246.6
Current Liab.	410.1	442.0	454.6

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Sales	5.0%	7.0%	*5.0%*
"Cash Flow"	9.0%	13.5%	*11.0%*
Earnings	8.0%	14.0%	*13.5%*
Dividends	8.0%	5.0%	*11.0%*
Book Value	7.5%	9.0%	*12.5%*

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Jan.Per	Apr.Per	Jul.Per	Oct.Per	Full Fiscal Year
2001	947.5	1018.4	1039.5	1118.7	4124.1
2002	983.0	954.6	933.8	1038.9	3910.3
2003	1018.4	1002.6	1009.4	1169.9	4200.3
2004	1135.5	1143.1	1156.0	*1265.4*	*4700*
2005	*1185*	*1195*	*1205*	*1305*	*4890*

Fiscal Year Ends	EARNINGS PER SHARE A B Jan.Per	Apr.Per	Jul.Per	Oct.Per	Full Fiscal Year
2001	.30	.28	.24	.49	F1.30
2002	.36	.23	.27	.49	1.35
2003	.34	.24	.25	.50	1.33
2004	.37	.37	.32	*.42*	*1.48*
2005	*.40*	*.40*	*.38*	*.52*	*1.70*

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.088	.088	.088	.088	.35
2001	.093	.093	.093	.093	.37
2002	.098	.098	.098	.098	.39
2003	.105	.105	.105	.105	.42
2004	.113	.113	.113		

BUSINESS: Hormel Foods Corporation is an international manufacturer and marketer of consumer-branded meat and food products, which are sold fresh, frozen, cured, smoked, cooked, and canned. Well-known brands include: *Hormel, Always Tender, Cure 81, SPAM, Dinty Moore, Jennie-O, Mary Kitchen, Little Sizzlers, Chi-Chi's, and Kid's Kitchen.* Distributes products to supermarkets and independent food stores in all 50 states as well as overseas. Has about 15,500 employees and 11,600 record shareholders. The Hormel Foundation owns 46.2% of common stock; all officers/directors, 3.1% (12/03 Proxy). Chairman, President, and CEO: Joel W. Johnson. Inc.: DE. Address: 1 Hormel Place, Austin, MN 55912-3680. Telephone: 507-437-5611. Internet: www.hormel.com.

Hormel looks to have closed fiscal 2004 (ended October 30th) on a down note. Despite much-improved conditions in the protein market, we expect fourth-quarter share net to come in below last year's comparable tally. That's because of higher marketing expenses—related to the rollout of several new products, including *SPAM* singles, newly packaged *Stagg* chili, and a ready-to-cook *Jennie-O* whole turkey—and an uptick in beef, pork, and grain prices. In fact, feed costs are now rising at a faster pace than meat prices, which is putting considerable pressure on Hormel's operating margin. The higher grain costs are also driving up hog prices, though the resulting profit squeeze is partially being offset by the company's long-term hog procurement contracts.

Fiscal 2005 ought to be a good year. Earnings should get a lift from strong protein demand and a gradual return of feed costs to historical levels. In addition, a turnaround in the high-margined grocery division, which has been hampered in recent quarters by intense competition and tough volume comparisons, will probably support healthy bottom-line growth. Indeed, we expect Hormel's investments in product innovation, along with increased advertising efforts, strategic price hikes, and an easing of commodity cost pressures, to revitalize this important unit in the year ahead.

Long-term prospects remain bright, in our view. The company should continue to enhance its product portfolio and boost its profitability over the next 3 to 5 years by branding (and adding value to) meat items that have historically been sold on a commodity basis. Moreover, we expect fundamentals in the domestic protein market to remain strong, thanks to the popularity of low-carb diets and to the growing demand for U.S. meat abroad.

Hormel shares carry our Lowest (5) rank for Timeliness. We think long-term investors would do well to take advantage of the current entry point, however. Although fourth-quarter earnings are apt to disappoint, Hormel's excellent management team, solid balance sheet, and ongoing transition from a meatpacker to a packaged food company suggest that better days are ahead.

Justin Hellman *November 5, 2004*

(A) Fiscal year ends on last Saturday in Oct. **(B)** Based on average shares outstanding through '96; diluted thereafter. Excludes nonrecurring gains (loss): '04 Q2, 1¢, Q3, 8¢; '99, 3¢; '98, 13¢; '97, 2¢; '96, (6¢); charge for accounting changes: '93, 83¢. Next earnings report due late Nov. **(C)** Dividends have historically been paid in the middle of Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available. **(D)** Includes intangibles. In '03: $510.0 mill., $3.68/sh. **(E)** In millions, adjusted for splits. **(F)** Doesn't sum to total due to rounding.

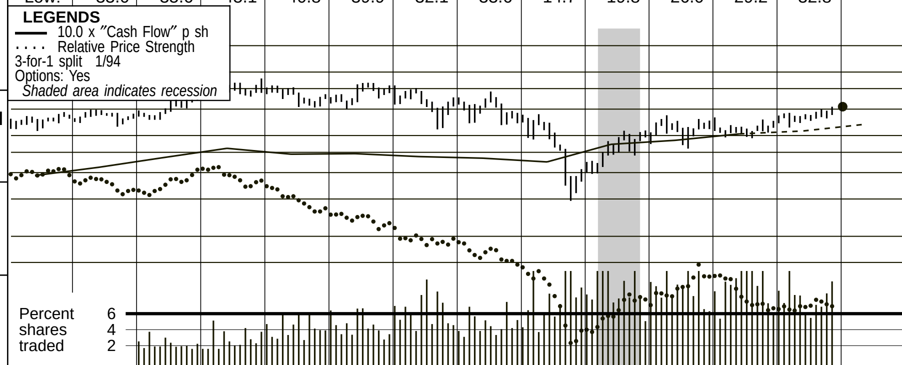
Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	75
Earnings Predictability	95

INT'L FLAVORS & FRAG. NYSE-IFF

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	
41.08	18.0 (Trailing: 17.8; Median: 21.0)	0.96	1.7%	VALUE LINE

TIMELINESS 3 Lowered 11/5/04
SAFETY 2 Lowered 9/22/00
TECHNICAL 3 Lowered 11/19/04
BETA .75 (1.00 = Market)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	39.8	47.9	55.9	51.9	53.4	51.9	48.5	37.8	31.7	37.4	36.6	41.2
Low:	33.0	35.6	45.1	40.8	39.9	32.1	33.6	14.7	19.8	26.0	29.2	32.8



Target Price Range

2007	2008	2009
80, 60, 50, 40, 30, 25, 20, 15, 10, 7.5		

% TOT. RETURN 11/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	27.0	17.2
3 yr.	39.8	45.8
5 yr.	23.4	75.1

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+35%)	9%
Low	40	(-5%)	-2%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	0	4	0	0	1	0	0	3	0
to Sell	0	7	0	0	1	0	0	2	0

Institutional Decisions

	1Q2004	2Q2004	3Q2004
to Buy	100	91	126
to Sell	123	109	96
Hld's(000)	69953	69381	69342

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
7.38	7.61	8.41	8.88	9.77	10.61	11.80	12.97	13.06	13.07	13.27	13.73	15.01	19.46	19.20	20.23	**21.90**	**22.50**	Sales per sh	**27.70**
1.33	1.43	1.61	1.73	1.94	2.12	2.35	2.61	2.45	2.46	2.38	2.34	2.25	2.73	2.85	3.05	**3.15**	**3.40**	"Cash Flow" per sh	**4.25**
1.13	1.22	1.37	1.47	1.64	1.78	2.03	2.24	2.00	2.00	1.90	1.79	1.48	1.41	1.94	2.13	**2.25**	**2.45**	Earnings per sh A	**3.40**
.56	.66	.74	.83	.91	1.00	1.12	1.27	1.38	1.45	1.49	1.52	1.29	.60	.60	.62	**.67**	**.72**	Div'ds Decl'd per sh B■	**.85**
.35	.29	.36	.47	.43	.72	.91	.85	.72	.53	.85	.97	.62	.55	.87	.70	**.65**	**.65**	Cap'l Spending per sh	**.85**
6.11	6.70	7.84	8.39	8.48	7.96	9.04	10.06	9.79	9.17	8.91	8.19	6.48	5.53	6.10	7.90	**9.50**	**11.25**	Book Value per sh C	**18.25**
113.75	114.20	114.50	114.50	115.26	112.06	111.46	110.95	109.97	109.13	106.05	104.82	97.43	94.76	94.25	93.99	**94.50**	**94.50**	Common Shs Outst'g D	**92.00**
14.2	15.8	16.0	18.8	21.5	20.8	19.8	22.2	23.2	23.9	22.7	22.4	18.8	18.5	16.9	15.1	*Bold figures are*		Avg Ann'l P/E Ratio	**13.5**
1.18	1.20	1.19	1.20	1.30	1.23	1.30	1.49	1.45	1.38	1.18	1.28	1.22	.95	.92	.88	*Value Line*		Relative P/E Ratio	**.90**
3.5%	3.4%	3.4%	3.0%	2.6%	2.7%	2.8%	2.6%	3.0%	3.0%	3.4%	3.8%	4.6%	2.3%	1.8%	1.9%	*estimates*		Avg Ann'l Div'd Yield	**1.5%**
						1315.2	1439.5	1436.1	1426.8	1407.3	1439.5	1462.8	1843.8	1809.2	1901.5	**2070**	**2150**	Sales ($mill)	**2550**
						29.3%	29.5%	27.0%	26.8%	25.3%	23.7%	22.0%	22.2%	21.9%	23.1%	**21.0%**	**21.5%**	Operating Margin	**22.0%**
						36.4	40.7	47.8	50.3	49.0	56.4	69.3	123.5	84.5	86.5	**85.0**	**85.0**	Depreciation ($mill)	**75.0**
						226.0	248.8	221.2	218.2	203.8	189.2	149.8	135.1	183.7	200.1	**215**	**235**	Net Profit ($mill)	**315**
						37.3%	36.8%	36.6%	35.9%	34.5%	33.5%	33.6%	38.0%	34.0%	32.0%	**31.5%**	**31.5%**	Income Tax Rate	**31.5%**
						17.2%	17.3%	15.4%	15.3%	14.5%	13.1%	10.2%	7.3%	10.2%	10.5%	**10.4%**	**10.9%**	Net Profit Margin	**12.3%**
						704.8	759.6	725.9	670.6	575.1	465.7	d160.1	336.2	507.3	370.6	**470**	**620**	Working Cap'l ($mill)	**865**
						14.4	11.6	8.3	5.1	4.3	3.8	417.4	939.4	1007.1	690.2	**600**	**525**	Long-Term Debt ($mill)	**175**
						1008.1	1116.6	1076.5	1000.5	945.1	858.5	631.3	524.2	574.7	742.6	**900**	**1065**	Shr. Equity ($mill) C	**1680**
						22.1%	22.1%	20.4%	21.7%	21.5%	21.9%	14.3%	10.7%	12.2%	14.8%	**14.5%**	**15.0%**	Return on Total Cap'l	**17.0%**
						22.4%	22.3%	20.5%	21.8%	21.6%	22.0%	23.7%	25.8%	32.0%	26.9%	**24.0%**	**22.0%**	Return on Shr. Equity	**19.0%**
						10.5%	9.9%	6.5%	6.1%	4.7%	3.3%	NMF	14.8%	22.1%	19.1%	**17.0%**	**16.0%**	Retained to Com Eq	**14.0%**
						53%	55%	68%	72%	78%	85%	104%	43%	31%	29%	**29%**	**29%**	All Div'ds to Net Prof	**25%**

CAPITAL STRUCTURE as of 9/30/04

Total Debt $821.8 **Due in 5 Yrs** $634.4 mill.
LT Debt $663.3 mill. **LT Interest** $35.54 mill.
(LT interest earned: 15.6x; total interest coverage: 12.8x) (45% of Capital)
Pension Assets-12/03 $622 mill. **Oblig.** $665 mill.

Pfd Stock None
Common Stock 94,228,803 shares
as of 11/1/04

MARKET CAP: $3.9 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2002	2003	9/30/04
Cash Assets	15.2	14.9	14.3
Receivables	338.6	381.3	373.3
Inventory (Avg Cst)	421.6	429.8	437.1
Other	91.4	133.8	123.3
Current Assets	866.8	959.8	948.0
Accts Payable	104.0	93.8	29.7
Debt Due	49.7	277.8	158.5
Other	205.8	217.6	252.5
Current Liab.	359.5	589.2	440.7

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Sales	7.0%	8.5%	6.0%
"Cash Flow"	4.0%	3.5%	6.5%
Earnings	1.0%	-1.5%	11.0%
Dividends	-4.0%	-16.0%	6.0%
Book Value	-2.5%	-7.0%	18.5%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	483.7	478.2	462.7	419.2	1843.8
2002	445.8	476.3	462.8	424.3	1809.2
2003	466.2	482.6	480.9	471.8	1901.5
2004	535.0	524.2	506.2	**504.6**	**2070**
2005	**540**	**555**	**530**	**525**	**2150**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.29	.40	.41	.31	1.41
2002	.44	.54	.54	.42	1.94
2003	.48	.59	.57	.48	2.13
2004	.59	.65	.58	**.43**	**2.25**
2005	**.60**	**.67**	**.64**	**.54**	**2.45**

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.38	.38	.38	.38	1.52
2001	.15	.15	.15	.15	.60
2002	.15	.15	.15	.15	.60
2003	.15	.15	.16	.16	.62
2004	.16	.16	.175	.175	

BUSINESS: International Flavors & Fragrances is a leading creator and manufacturer of flavor and fragrance chemicals sold to consumer products manufacturers worldwide. Fragrances account for about 55% of sales; flavors, 45%. Its products are principally used in perfumes, cosmetics, soaps and detergents, prepared foods, beverages, dairy foods, pharmaceuticals, and confectionery and tobacco products. In '03, international operations generated 65% of sales and 59% of profit; R&D, 8.5% of sales. '03 depr. rate: 8.6%. Acquired Bush Boake Allen, 11/00. Has approx. 5,500 employees. Off./dir. own 21.2% of stock; 2 institutions (in total), 13.4% (3/04 proxy). Chrmn. & CEO: Richard A. Goldstein. Inc.: NY. Addr.: 521 W. 57th St., NY, NY 10019. Tel.: 212-765-5500. Web: www.iff.com.

We have lowered our 2004 earnings estimate for International Flavors & Fragrances by $0.10 a share to $2.25, mostly due to the sale of the fruit preparations business (discussed below) and the costs associated with the transfer of operations from the company's Canadian plant to its other North American facilities. Our target estimate is now within the company's narrow guidance of $2.24-$2.27 a share. **We have also slashed our 2005 estimate, from $2.70 to $2.45.** Operationally, the North America flavor segment should produce high single-digit revenue growth for 2004 but will bear the costs of the Canadian plant closing. Meanwhile, the European flavor segment should continue to decline, dollar-for-dollar, as poor weather conditions and the disposition of the fruit preparations business should deflate the numbers. Additional costs for 2005 include those associated with the closing of the company's Dijon, France facility in the first quarter, as part of an effort to optimize production, increase capacity utilization, and improve productivity and customer service. The stock is ranked 3 (Average) for Timeliness.

The sale of the fruit preparations business to Frutarom is going smoothly. The deal was finalized on August 17th for IFF's assets in the fruit operations segment in Switzerland and Germany. Management expects proceeds to be about $40 million, including the assumption of certain liabilities, which will be used mainly for share repurchases. Sales and earnings for the business were $65 million and about $7 million in 2003, respectively.

IFF has been reducing its debt. The company has lowered debt by $222 million (24%) and interest expense by 8% since 2003 and now has virtually no debt due until 2006. Additionally, IFF's free cash flow should allow for further reductions of $50 million-$75 million a year and, possibly, share buybacks.

These shares do not offer much appreciation potential for the 2007-2009 pull. The stock, which has held up well despite the reduced earnings expectations for IFF, is already trading within our 3- to 5-year Target Price Range, leaving little or no room for capital appreciation over that time period.

Eric M. Gottlieb *December 17, 2004*

(A) Primary earnings through '97, then basic. Excludes one-time charges: '92, 50¢; '96, 29¢; '99, 26¢; '00, 26¢; '01, 20¢; '02, 8¢; '03, 30¢. Next earnings report due late January.
(B) Dividends historically paid in mid-January, April, July, and October. ■ Dividend reinvestment plan available.
(C) Includes intangibles. At 12/31/03: $799.4 million, $8.60 per share.
(D) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	85
Price Growth Persistence	10
Earnings Predictability	75

KELLOGG CO. NYSE-K

RECENT PRICE **42.94** | P/E RATIO **19.7** (Trailing: 20.0; Median: 21.0) | RELATIVE P/E RATIO **1.10** | DIV'D YLD **2.4%** | VALUE LINE

TIMELINESS 3 Lowered 8/6/04
SAFETY 2 Raised 5/9/03
TECHNICAL 3 Lowered 10/29/04
BETA .55 (1.00 = Market)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	33.9	30.4	39.8	40.3	50.5	50.2	42.3	32.0	34.0	37.0	38.6	43.5
Low:	23.6	23.7	26.3	31.0	32.0	28.5	30.0	20.8	24.3	29.0	27.8	37.0

Target Price Range
2007 | 2008 | 2009

2007-09 PROJECTIONS

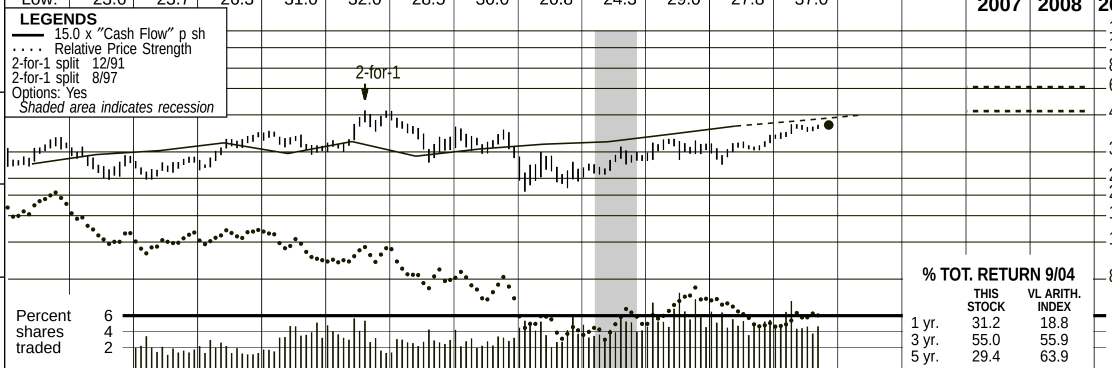
	Price	Gain	Ann'l Total Return
High	65	(+50%)	13%
Low	50	(+15%)	6%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	1	0	0	0	0	0	1
Options	0	0	3	1	2	6	2	0	3
to Sell	2	1	3	4	4	3	1	2	1

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	185	160	164
to Sell	153	160	161
Hld's(000)	337494	325499	329840



% TOT. RETURN 9/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	31.2	18.8
3 yr.	55.0	55.9
5 yr.	29.4	63.9

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
8.84	9.54	10.74	12.03	13.04	13.81	14.80	16.16	15.92	16.47	16.70	17.23	17.15	21.77	20.36	21.51	***22.80***	***23.95***	Sales per sh	***27.15***
1.26	1.21	1.46	1.72	1.87	2.08	2.17	2.36	2.10	2.39	2.04	2.21	2.32	2.39	2.60	2.83	***3.10***	***3.30***	"Cash Flow" per sh	***3.85***
.98	.87	1.04	1.26	1.38	1.47	1.58	1.74	1.48	1.70	1.35	1.50	1.61	1.31	1.73	1.92	***2.15***	***2.32***	Earnings per sh A	***2.80***
.38	.43	.48	.54	.60	.66	.70	.75	.81	.87	.92	.96	1.00	1.01	1.01	1.01	***1.01***	***1.01***	Div'ds Decl'd per sh B ■	***1.05***
1.09	1.04	.66	.69	1.00	.99	.80	.73	.73	.75	.92	.66	.57	.68	.62	.60	***.60***	***.65***	Cap'l Spending per sh	***.70***
3.02	3.35	3.94	4.49	4.10	3.76	4.08	3.67	3.06	2.40	2.20	2.01	2.21	2.14	2.19	3.52	***4.60***	***5.55***	Book Value per sh C	***9.95***
491.71	487.50	482.63	480.93	474.64	455.84	443.40	433.41	419.30	414.82	405.00	405.46	405.64	406.61	407.85	409.70	***413.00***	***410.00***	Common Shs Outst'g D	***405.00***
14.4	20.0	16.0	19.5	23.2	19.4	17.2	19.2	24.3	24.0	28.6	23.8	16.1	21.8	19.5	17.3	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	***20.0***
1.20	1.51	1.19	1.25	1.41	1.15	1.13	1.28	1.52	1.38	1.49	1.36	1.05	1.12	1.07	1.00			Relative P/E Ratio	***1.35***
2.7%	2.5%	2.9%	2.2%	1.9%	2.3%	2.6%	2.2%	2.3%	2.1%	2.4%	2.7%	3.9%	3.5%	3.0%	3.0%			Avg Ann'l Div'd Yield	***1.9%***

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
6562.0	7003.7	6676.6	6830.1	6762.1	6984.2	6954.7	8853.3	8304.1	8811.5	***9425***	***9815***	Sales ($mill)	***11000***
21.6%	21.7%	20.2%	21.7%	18.4%	19.5%	19.7%	19.1%	22.4%	21.8%	***21.9%***	***22.0%***	Operating Margin	***22.5%***
256.1	258.8	251.5	287.3	278.1	288.0	290.6	438.6	348.4	372.8	***385***	***395***	Depreciation ($mill)	***435***
705.4	762.3	628.8	704.5	548.9	606.2	651.9	532.8	710.7	787.1	***895***	***955***	Net Profit ($mill)	***1125***
37.6%	37.4%	36.9%	35.3%	35.7%	36.2%	31.7%	39.8%	37.0%	32.7%	***34.5%***	***35.0%***	Income Tax Rate	***35.0%***
10.7%	10.9%	9.4%	10.3%	8.1%	8.7%	9.4%	6.0%	8.6%	8.9%	***9.5%***	***9.7%***	Net Profit Margin	***10.2%***
248.3	163.4	d670.4	d189.6	d222.0	d18.6	d885.8	d305.6	d1251.5	d968.8	***d600***	***d270***	Working Cap'l ($mill)	***415***
719.2	717.8	726.7	1415.4	1614.5	1612.8	709.2	5619.0	4519.4	4265.4	***4100***	***4150***	Long-Term Debt ($mill)	***3500***
1807.5	1590.9	1282.4	997.5	889.8	813.2	897.5	871.5	895.1	1443.2	***1900***	***2270***	Shr. Equity ($mill)	***4025***
28.6%	33.6%	32.4%	31.0%	23.8%	26.8%	43.6%	10.4%	16.2%	16.6%	***17.5%***	***17.0%***	Return on Total Cap'l	***17.0%***
39.0%	47.9%	49.0%	70.6%	61.7%	74.5%	72.6%	61.1%	79.4%	54.5%	***47.0%***	***42.0%***	Return on Shr. Equity	***28.0%***
21.7%	27.3%	22.2%	34.5%	19.5%	26.7%	27.6%	14.1%	33.3%	26.0%	***25.0%***	***24.0%***	Retained to Com Eq	***17.5%***
44%	43%	55%	51%	68%	64%	62%	77%	58%	52%	***47%***	***44%***	All Div'ds to Net Prof	***38%***

CAPITAL STRUCTURE as of 9/25/04

Total Debt $4894.3 mill. **Due in 5 Yrs** $2085.0 mill.
LT Debt $4271.0 mill. **LT Interest** $325.0 mill.
(Total interest coverage: 4.2x)
(70% of Cap'l)

Pension Assets-12/03 $2.32 bill. **Oblig.** $2.64 bill.

Pfd Stock None

Common Stock *413,500,000* shs.
MARKET CAP: $17.8 billion (Large Cap)

CURRENT POSITION ($MILL.)	2002	2003	9/25/04
Cash Assets	100.6	141.2	423.0
Receivables	741.0	754.8	920.6
Inventory (Avg Cst)	603.2	649.8	641.3
Other	318.6	251.4	256.3
Current Assets	1763.4	1797.2	2241.2
Accts Payable	619.0	703.8	797.6
Debt Due	1197.3	898.9	623.3
Other	1198.6	1163.3	1268.2
Current Liab.	3014.9	2766.0	2689.1

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Sales	5.0%	5.5%	*4.0%*
"Cash Flow"	3.5%	3.5%	*6.5%*
Earnings	2.0%	2.0%	*9.0%*
Dividends	5.5%	3.0%	*.5%*
Book Value	-4.5%	0.5%	*25.0%*

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	1707	2343	2590	2213	8853
2002	2062	2125	2137	1980	8304
2003	2148	2247	2282	2135	8812
2004	2391	2387	2445	***2202***	***9425***
2005	***2475***	***2450***	***2545***	***2345***	***9815***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.30	.28	.40	.33	1.31
2002	.35	.42	.49	.47	1.73
2003	.40	.50	.56	.46	1.92
2004	.53	.57	.59	***.46***	***2.15***
2005	***.56***	***.61***	***.64***	***.51***	***2.32***

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.245	.245	.253	.253	1.00
2001	.253	.253	.253	.253	1.01
2002	.253	.253	.253	.253	1.01
2003	.253	.253	.253	.253	1.01
2004	.253	.253	.253		

BUSINESS: Kellogg Company, the world's largest manufacturer of ready-to-eat cereals, also produces convenience foods, including frozen waffles, toaster pastries, and snack bars. Brand names include: *Kellogg's*, *Keebler*, *Sunshine*, *Frosted Flakes*, *Rice Krispies*, *Frosted Mini-Wheats*, *Special K*, *Froot Loops*, *Nutri-Grain*, *Apple Jacks*, *All-Bran*, *Pop-Tarts*, and *Eggo*. Foreign operations: 36% of sales in 2003, 32% of operating profit. Adv. costs: 7.9% of sales. Acquired Keebler, 3/01. Has about 25,250 empls.; 44,635 shrhldrs. W.K. Kellogg Foundation controls 30.3% of common (3/04 proxy). Chairman & CEO: Carlos Gutierrez. President & COO: Dave Mackay. Inc.: Del. Addr.: One Kellogg Square, P.O. Box 3599, Battle Creek, MI 49016. Tel.: 269-961-2000. Internet: www.kelloggs.com.

Kellogg turned in good results in the third quarter of 2004. The company's continued focus on brand-building, supported by an aggressive marketing plan, has fueled the top-line expansion (sales rose 7% year over year). A closer look shows that Kellogg's international segment remains the best-performing unit for the company. International cereal sales have benefited from the strong performance of the *Special K* product line. *Special K*, a high-margined product, has overtaken *Corn Flakes* as Kellogg's top brand. Looking ahead, we expect sales to continue expanding nicely through the end of this year and into 2005. Meanwhile,

High operating costs have not slowed Kellogg's earnings growth. The company has been able to absorb high brand-building costs (roughly $0.18 a share in 2004, which are included in both the company's and our earnings presentation) and overcome rising commodity costs ($0.15 a share). The cereal maker has offset the latter expenses through improved operating leverage, productivity savings, and product mix improvements. As such, we have modestly raised our 2004 earnings estimate.

The solid performance should continue in 2005. Despite the challenging industry conditions, we believe that K's top line will respond positively to intense focus on advertising, product promotions, and research and development. Kellogg also anticipates lower up-front costs (about $0.05 a share) next year, as the implementation of cost-reduction initiatives wind down. We are concerned, however, that commodity costs still remain at very high levels. Many of the commodities that are used by Kellogg cannot be hedged via standard futures contracts. This increases the company's operating risk during periods of abnormally high prices. If commodities were to continue to rise, K's share earnings might fall a few pennies short of our expectations.

This neutrally ranked equity trades at a premium to most of its food processing peers. Near term, the industry's macro challenges (i.e., moderate private-label market share growth, trade consolidation, and changing consumer diet preferences) may hurt Kellogg's operating performance.

William G. Ferguson *November 5, 2004*

(A) Based on average shares thru '96; diluted thereafter. Excludes nonrecurring gains (losses): '89, $0.20; '92, ($0.94); '95, ($2.24); '96, ($0.46); '97, ($0.38); '98, ($0.12); '99, ($0.67); '00, ($0.16); '01, ($0.14), '02, $0.02. Next earnings report due late January. (B) Dividends historically paid mid-Mar, June, Sept., and Dec. ■ Div'd reinvestment plan available. (C) Includes intangibles. In '03: $5167.9 million, $12.61/sh. (D) In millions, adj. for stock splits.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	20
Earnings Predictability	80

LAWSON PRODUCTS NDQ-LAWS

RECENT PRICE	P/E RATIO	(Trailing: 21.8 / Median: 15.0)	RELATIVE P/E RATIO	DIV'D YLD	
50.58	18.5	Trailing: 21.8, Median: 15.0	0.96	1.4%	VALUE LINE

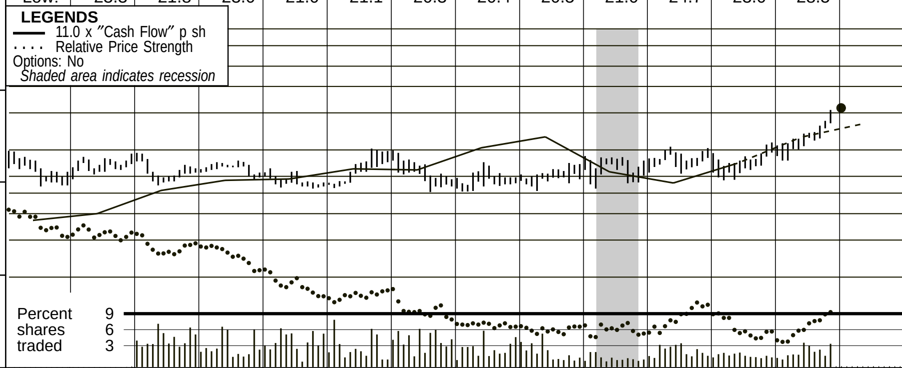
TIMELINESS 3 Raised 4/30/04
SAFETY 1 Raised 9/28/01
TECHNICAL 3 Lowered 12/24/04
BETA .65 (1.00 = Market)

High:	30.8	31.0	28.5	26.3	32.5	31.9	28.1	27.8	30.0	33.2	34.8	51.2
Low:	23.3	21.8	23.0	21.0	21.1	20.3	20.4	20.5	21.0	24.7	23.0	28.5

Target Price Range

2007	2008	2009

LEGENDS
— 11.0 x "Cash Flow" p sh
.... Relative Price Strength
Options: No
Shaded area indicates recession



% TOT. RETURN 11/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	44.9	17.2
3 yr.	93.2	45.8
5 yr.	136.7	75.1

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+30%)	8%
Low	50	(Nil)	1%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	1	0	0	0
Options	0	0	0	2	2	0	0	0	1
to Sell	0	0	0	2	0	0	0	0	1

Institutional Decisions

	1Q2004	2Q2004	3Q2004
to Buy	33	36	33
to Sell	21	24	23
Hld's(000)	3608	3636	3626

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
12.00	13.09	13.68	13.39	13.78	14.35	16.91	19.13	22.13	24.98	27.43	31.26	35.95	39.40	40.81	40.98	*44.40*	*48.95*	Sales per sh	*61.85*
1.62	1.76	1.82	1.41	1.35	1.46	1.87	2.09	2.12	2.37	2.34	2.98	3.37	2.29	2.03	2.52	*3.35*	*3.90*	"Cash Flow" per sh	*5.30*
1.42	1.61	1.67	1.23	1.13	1.26	1.55	1.75	1.73	1.91	1.76	2.29	2.63	1.43	1.30	1.77	*2.50*	*3.00*	Earnings per sh A	*4.15*
.23	.33	.37	.40	.40	.42	.48	.50	.52	.54	.56	.57	.60	.63	.64	.66	*.72*	*.80*	Div'ds Decl'd per sh C	*.96*
.07	.58	.47	.36	.60	.11	.55	.26	.43	.53	.50	.63	.35	.54	.63	.45	*.35*	*.50*	Cap'l Spending per sh	*.80*
5.85	6.74	8.04	8.87	9.50	10.38	10.41	10.51	11.38	12.57	13.40	14.70	16.48	16.61	17.10	18.26	*19.50*	*21.20*	Book Value per sh	*28.25*
13.84	13.55	13.56	13.58	13.55	13.56	12.60	11.69	11.31	11.14	10.66	10.20	9.71	9.63	9.49	9.49	*9.35*	*9.20*	Common Shs Outst'g D	*8.90*
17.6	14.1	15.9	23.7	22.7	21.6	16.3	14.9	13.2	13.5	14.3	10.1	9.2	18.7	22.2	16.0	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
1.46	1.07	1.18	1.51	1.38	1.28	1.07	1.00	.83	.78	.74	.58	.60	.96	1.21	.92	*Value Line*		Relative P/E Ratio	*.95*
.9%	1.5%	1.4%	1.4%	1.6%	1.5%	1.9%	1.9%	2.3%	2.1%	2.2%	2.5%	2.5%	2.4%	2.2%	2.3%	*estimates*		Avg Ann'l Div'd Yield	*1.7%*

CAPITAL STRUCTURE as of 9/30/04
Total Debt $1.9 mill. **Due in 5 Yrs** $1.9 mill.
LT Debt $.4 mill. **Total Interest** $.2 mill.
(1% of Cap'l)

Leases, Uncapitalized Annual rentals $3.1 mill.
No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 9,346,280 shs. as of 10/15/04

MARKET CAP: $475 million (Small Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
213.1	223.5	250.3	278.1	292.5	319.0	349.0	379.4	387.5	389.1	*415*	*450*	Sales ($mill)	*550*
17.0%	16.3%	14.8%	14.4%	12.8%	15.0%	14.3%	9.2%	7.9%	9.0%	*11.0%*	*11.5%*	Operating Margin	*12.5%*
3.1	3.3	4.0	5.0	5.5	6.5	6.7	8.1	6.8	7.1	*7.5*	*8.0*	Depreciation ($mill)	*10.0*
20.5	21.1	20.0	21.4	19.5	23.9	26.0	13.9	12.4	16.8	*24.0*	*27.5*	Net Profit ($mill)	*37.0*
39.7%	39.3%	41.0%	40.2%	42.0%	40.6%	45.3%	45.8%	46.3%	39.2%	*38.5%*	*38.0%*	Income Tax Rate	*38.0%*
9.6%	9.4%	8.0%	7.7%	6.7%	7.5%	7.5%	3.7%	3.2%	4.3%	*5.7%*	*6.2%*	Net Profit Margin	*6.7%*
72.5	69.5	78.7	79.5	87.6	91.9	111.3	100.7	98.1	107.9	*115*	*120*	Working Cap'l ($mill)	*145*
- -	- -	- -	- -	- -	- -	- -	10.0	- -	1.6	*.4*	*Nil*	Long-Term Debt ($mill)	*Nil*
131.2	122.8	128.7	139.9	142.9	150.0	159.9	159.9	162.3	173.4	*180*	*195*	Shr. Equity ($mill)	*250*
15.6%	17.2%	15.5%	15.3%	13.6%	15.9%	16.3%	8.4%	7.7%	9.7%	*13.0%*	*14.0%*	Return on Total Cap'l	*14.5%*
15.6%	17.2%	15.5%	15.3%	13.6%	15.9%	16.3%	8.7%	7.7%	9.7%	*13.0%*	*14.0%*	Return on Shr. Equity	*14.5%*
10.8%	12.3%	10.8%	11.0%	9.3%	12.0%	12.5%	4.9%	3.9%	6.2%	*9.0%*	*10.5%*	Retained to Com Eq	*11.5%*
31%	29%	30%	28%	32%	25%	23%	44%	49%	36%	*29%*	*27%*	All Div'ds to Net Prof	*23%*

CURRENT POSITION ($MILL.)	2002	2003	9/30/04
Cash Assets	8.3	23.6	30.9
Receivables	43.0	48.0	50.4
Inventory (FIFO)	63.9	59.8	62.2
Other	14.6	13.4	9.9
Current Assets	129.8	144.8	153.4
Accts Payable	8.1	8.2	8.8
Debt Due	- -	1.4	1.5
Other	23.6	27.3	27.4
Current Liab.	31.7	36.9	37.7

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Sales	11.5%	10.0%	*7.5%*
"Cash Flow"	5.0%	- -	*15.0%*
Earnings	2.0%	-3.5%	*18.5%*
Dividends	4.5%	3.5%	*7.0%*
Book Value	6.0%	7.0%	*8.5%*

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	83.7	99.0	100.0	96.7	379.4
2002	95.7	99.9	98.5	93.3	387.5 B
2003	96.1	97.1	99.3	96.6	389.1
2004	100.7	104.4	107.4	*102.5*	*415*
2005	*108*	*114*	*116*	*112*	*450*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.33	.41	.34	.35	1.43
2002	.40	.49	.39	.02	1.30
2003	.40	.44	.46	.48	1.77 B
2004	.69	.56	.59	*.66*	*2.50*
2005	*.75*	*.73*	*.74*	*.78*	*3.00*

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.15	.15	.15	.15	.60
2001	.15	.16	.16	.16	.63
2002	.16	.16	.16	.16	.64
2003	.16	.16	.16	.16	.64
2004	.18	.18	.18	.18	

BUSINESS: Lawson Products, Inc. distributes over 900,000 expendable maintenance, repair, and replacement products. '03 Sales: Industry Supplies, 48%; Fasteners & Fittings, 43%; Auto and equip. maint. parts, 9%. Four major markets: In-plant maint., 42% of '03 sales; Heavy-Duty equip. maint., 25%; Vehicle maint., 17%; OEM, 16%. Distributes through approx. 1,800 independent sales agents, in addition to which it has about 1,370 empls. Acquired Kent Automotive, 3/01. Port family owns 31.8% of common stock; S. L. Port, 15.3%; other off. & dir., 1.1%; Royce & Assoc., 8.0%. (4/04 proxy). Chrmn. & CEO: Robert J. Washlow. Pres.: Jeffrey B. Belford. Inc.: DE. Addr.: 1666 E. Touhy Ave., Des Plaines, IL 60018. Tel.: 847-827-9666. Internet: www.lawsonproducts.com.

Lawson Products stock has advanced almost 30% since our last report, and is up more than 50% over the past year. Before this run-up, the stock price had exhibited marked stability, largely trading within the range of 20 to 35 since 1990. Thanks to an improving economy, Lawson's earnings seem to have finally recovered from the recession in 2001 and are now on track to approximate 2000's peak. Next year, the upwards momentum should continue, and earnings may well reach $3.00 a share. This expected jump, a solid balance sheet (see below), and overall strength in small-cap stocks appear to have contributed to the recent price gains.

Sales growth should remain strong over the next 3 to 5 years. Lawson's high-margin Maintenance, Repair, and Overhaul (MRO) segment, which makes up about 80% of the company's total sales, is benefiting from strengthening demand for its services. In addition to increasing business with its existing customer base, it is gaining market share by adding new customers. Meanwhile, sales increases at the Original Equipment Manufacturing (OEM) segment should be even stronger, due to the improving industrial economy in the U.S. However, profit margins for this segment are relatively low, and at 20% of total company sales, our 10%-15% projected sales growth for the segment loses a bit of its sparkle.

Lawson's balance sheet is becoming even stronger. With reduced capital expenditures, virtually no debt, and the projected profit growth, working capital should grow considerably over the next 3 to 5 years. LAWS recently authorized an additional 500,000 shares of stock to be repurchased, and with excess capital on hand, fairly aggressive share buybacks should continue. The available cash also leaves the door open for acquisitions, which could prove our current earnings forecast conservative.

This issue is ranked to track the market in the year ahead. Lawson's earnings prospects, strong financials, and high Safety rank (1) are all appealing. But, with the stock's recent price gains, much of its appreciation potential to 2007-2009 seems to be accounted for as the company is currently constituted.

Fritz R. Owens *December 24, 2004*

(A) Primary earnings through 1996, diluted thereafter. Excl. nonrecurring gains (losses): '93, 8¢; '00, 22¢; '03, (7¢). Includes special charges: '98, 14¢; '01, 52¢; '02, 26¢; '03, 16¢.
Next earnings report due late January.
(B) Quarterly figures do not sum to total due to rounding.
(C) Dividends historically paid in mid-January, April, July, and October.
(D) In millions.

Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	50
Earnings Predictability	60

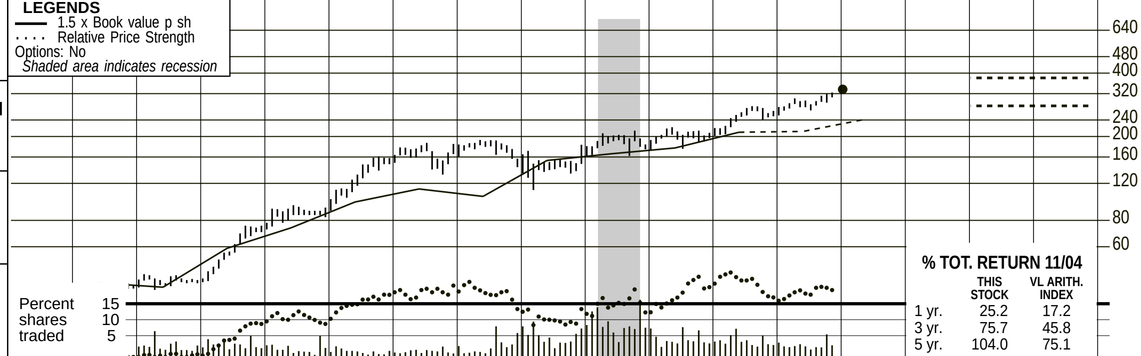
MARKEL CORP. NYSE-MKL

RECENT PRICE 335.50 | P/E RATIO 17.8 (Trailing: 22.8 Median: 20.0) | RELATIVE P/E RATIO 0.93 | DIV'D YLD Nil | VALUE LINE

TIMELINESS 3 Raised 2/6/04
SAFETY 2 Raised 12/31/99
TECHNICAL 3 Lowered 11/5/04
BETA .80 (1.00 = Market)

High:	40.5	44.5	75.5	94.5	161.1	187.0	193.0	183.3	213.3	222.0	279.0	340.5
Low:	30.8	37.5	40.8	72.5	89.0	132.0	143.3	111.5	159.8	171.1	201.5	252.0

LEGENDS
— 1.5 x Book value p sh
.... Relative Price Strength
Options: No
Shaded area indicates recession



Target Price Range

2007	2008	2009

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	380	(+15%)	3%
Low	280	(-15%)	-4%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	1	0	0	0	0	0	0	0
Options	1	0	0	0	0	0	0	0	0
to Sell	1	0	1	0	1	0	0	0	1

Institutional Decisions

	1Q2004	2Q2004	3Q2004
to Buy	55	45	52
to Sell	79	60	51
Hld's(000)	7050	7118	7372

% TOT. RETURN 11/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	25.2	17.2
3 yr.	75.7	45.8
5 yr.	104.0	75.1

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
3.80	4.40	6.44	29.17	28.40	34.47	45.12	52.59	56.33	60.81	60.30	79.17	128.10	122.89	157.54	189.32	*207.00*	*218.00*	P/C Prem Earned p sh	*275.00*
.81	1.03	1.41	5.95	5.01	4.21	5.40	7.93	9.38	12.54	12.86	15.88	21.04	17.39	17.30	18.54	*20.00*	*22.00*	Investment Inc p sh	*27.00*
.66	1.00	1.31	1.71	16.20	1.05	1.15	.44	.01	.50	.87	d1.18	d17.96	d29.90	d5.36	1.02	*6.20*	*13.00*	Underwriting Inc p sh	*20.70*
2.28	2.60	1.46	2.68	4.64	4.23	3.33	6.15	6.23	9.20	10.41	7.27	d3.99	d14.23	4.28	9.56	*17.20*	*22.80*	Earnings per sh A	*30.50*
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	*Nil*	*Nil*	Div'ds Decl'd per sh	*Nil*
9.02	11.48	10.10	15.55	20.24	26.97	25.71	39.37	49.16	65.18	75.21	69.43	102.65	110.51	117.89	140.07	*141.00*	*162.00*	Book Value per sh F	*220.00*
5.22	5.40	5.20	5.21	5.40	5.59	5.39	5.42	5.46	5.47	5.52	5.52	7.33	9.82	9.83	9.85	*10.00*	*10.00*	Common Shs Outst'g B	*10.00*
151%	166%	182%	108%	133%	136%	160%	149%	174%	199%	221%	255%	142%	170%	170%	176%	*Bold figures are*		Price to Book Value	*150%*
6.0	7.3	12.6	6.3	5.8	8.7	12.4	9.5	13.7	14.1	16.0	24.4	--	--	46.9	25.8	*Value Line*		Avg Ann'l P/E Ratio	*NMF*
.50	.55	.94	.40	.35	.51	.81	.64	.86	.81	.83	1.39	--	--	2.56	1.50	*estimates*		Relative P/E Ratio	*NMF*
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			Avg Ann'l Div'd Yield	*Nil*

CAPITAL STRUCTURE as of 9/30/04 D

Total Debt $703.6 mill. (32% of Cap'l)

Leases, Uncapitalized $12.8 mill.
Pension Assets-12/03 $57.2 mill.
Oblig. $65.2 mill.
Pfd Stock $150 mill. (5% of Cap'l)
(Capital Securities)
Common Stock 9,847,253 shs.
as of 10/29/04
MARKET CAP: $3.3 billion (Mid Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
243.1	285.2	307.5	332.9	333.0	437.2	939.0	1206.7	1549.0	1864.3	*2070*	*2180*	P/C Premiums Earned G	*2750*
64.2%	65.5%	65.8%	63.1%	61.1%	64.9%	77.9%	87.0%	72.0%	68.1%	*65.0%*	*62.5%*	Loss to Prem Earned C	*61.5%*
33.2%	33.7%	34.2%	36.4%	36.1%	37.4%	36.1%	37.4%	31.4%	31.4%	*32.0%*	*31.5%*	Expense to Prem Writ C	*31.0%*
2.6%	.8%	.0%	.5%	2.9%	-2.3%	-14.0%	-24.3%	-3.4%	.5%	*3.0%*	*6.0%*	Underwriting Margin	*7.5%*
27.7%	28.0%	26.1%	24.0%	24.0%	24.0%	--	--	36.8%	31.0%	*28.0%*	*32.0%*	Income Tax Rate	*35.0%*
18.6	34.5	35.0	50.4	57.3	40.7	d27.6	d125.7	42.1	94.2	*170*	*230*	Net Profit ($mill)	*300*
5.5%	5.1%	4.7%	5.2%	5.1%	5.9%	5.5%	5.3%	4.4%	3.7%	*3.5%*	*3.5%*	Inv Inc/Total Inv	*3.5%*
1162	1315	1605	1870	1921	2455	5473	6441	7409	8532	*9280*	*9720*	Total Assets ($mill)	*11300*
138.5	213.4	268.3	516.8	575.3	533.4	902.4	1235.1	1309.1	1532.3	*1560*	*1770*	Shr. Equity ($mill) DEF	*2350*
13.4%	16.2%	13.0%	9.8%	10.0%	7.6%	NMF	NMF	3.2%	6.1%	*11.0%*	*13.0%*	Return on Shr. Equity	*13.0%*
13.4%	16.2%	13.0%	14.1%	13.8%	10.6%	NMF	NMF	3.6%	6.8%	*12.0%*	*14.0%*	Retained to Com Eq	*14.0%*
--	--	--	--	--	--	--	--	--	--	*Nil*	*Nil*	All Div'ds to Net Prof	*Nil*

FINANCIAL POSITION ($MILL.)

	2002	2003	9/30/04
Bonds	3251.2	3926.7	4267.5
Stocks	550.9	968.8	1088.9
Other	3606.5	3636.7	3738.1
Total Assets	7408.6	8532.2	9094.5
Unearned Prems	937.4	1060.2	1069.3
Reserves	4366.8	4929.7	5347.9
Other	945.2	1160.1	1171.4
Total Liab'ties	6249.4	7150.0	7588.6

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Premium Inc	17.5%	21.5%	*10.0%*
Invest Income	13.5%	9.0%	*7.0%*
Earnings	--	--	*NMF*
Dividends	--	--	*Nil*
Book Value	19.5%	14.0%	*10.0%*

Cal-endar	PREMIUMS EARNED ($ mill.) G Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	278.8	260.6	327.5	339.8	1206.7
2002	327.5	346.3	417.3	457.9	1549.0
2003	432.4	438.9	476.0	517.0	1864.3
2004	505.4	515.4	522.0	*527.2*	*2070*
2005	*520*	*540*	*550*	*570*	*2180*

Cal-endar	EARNINGS PER SHARE A H Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	1.04	.09	d10.58	d4.78	d14.23
2002	1.36	1.60	d.83	2.14	4.28
2003	3.27	3.55	d1.19	3.93	9.56
2004	3.80	6.00	1.42	*5.98*	*17.20*
2005	*5.70*	*5.80*	*5.30*	*6.00*	*22.80*

Cal-endar	QUARTERLY DIVIDENDS PAID Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000					
2001	NO CASH DIVIDENDS BEING PAID				
2002					
2003					
2004					

BUSINESS: Markel Corporation markets and underwrites specialty insurance products and programs to a variety of niche markets. The company competes in four distinct areas of the specialty insurance market. Excess & Surplus lines (E&S Market) accounts for 59% of gross premiums written in 2003; Specialty Admitted Market, 11%; London Company Market, 4%; Lloyd's Market, 24%; Other (Discontinued Lines, 2%). Premium mix by class of business: Property (31%); Casualty (69%). Acquired Terra Nova (3/00). Has 1,759 employees; 4,200 shareholders. Officers & directors own 13.9% of common shares (3/04 proxy). Chairman & CEO: Alan I. Kirshner. Incorporated: Virginia. Address: 4521 Highwoods Parkway, Glen Allen, Virginia 23060-6148. Telephone: 804-747-0136.

Markel should close 2004 on a solid note, following a sharp sequential earnings decline in the third quarter. This was primarily caused by the hurricanes in Florida. The company sustained roughly $80 million in pretax losses related to the disasters, which led to an underwriting loss during the period. Nonetheless, premium growth remains decent, and we expect earned premiums to rise by about 10% in 2004. All of the company's segments are making steady improvements in their underwriting results, except for the London Insurance Market. We believe that this trend will continue for the coming quarters and aid Markel in improving its combined ratio by at least 300 basis points in 2005 from this year's likely level.

We tentatively estimate a 30%–35% earnings advance in 2005 . . . Although the premium pricing environment will probably soften further in the next few quarters, we think that net premiums earned will rise moderately next year as Markel maintains its underwriting discipline. Moreover, Markel's bottom line will likely increase at a strong pace going forward as adequate reserve strengthening cushions against future losses. Favorable loss frequency trends should also help the loss ratio to improve by almost 250 basis points next year and double the underwriting margin from our 3% estimate in 2004 to 6% in 2005.

. . . but far more modest earnings gains appear to be in the cards for the following 2 to 4 years. Premium rate pricing should not be as aggressive as it has been over the past few years, as the rate environment remains soft. On the other hand, top-line growth, along with cost-cutting initiatives, should aid in boosting share net by approximately 10% annually over this period. A stronger showing from the London Insurance Market, through better risk selection and lower commission rates, will likely also offset adverse losses.

This stock has jumped 65% in price over the past year. This run-up, though, has discounted most of the gains that we project over the coming 3 to 5 years. Furthermore, these shares are only ranked to mirror the broader market averages over the next six to 12 months.

Randy Shrikishun *December 24, 2004*

(A) Primary egs. through '96. Basic thereafter. Incl. capital gains: '01, $2.27; '00, ($0.27); '99, $2.24; '98, $2.36; '97, $1.78; '96, $1.53; '95, $0.88. Excl. gain/(loss) in '02 and thereafter. Next egs. rpt. mid-Jan. (B) In millions. (C) GAAP ratios. (D) Incl. tax ded. trust pfd. (E) Reflects FASB 115 as of 1993. (F) Assumes growth in equity portf. (G) Net writ. premiums prior to 2000. (H) Quarters may not sum to total due to rounding.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	95
Earnings Predictability	5

RLI CORP. NYSE-RLI

RECENT PRICE 41.75 | P/E RATIO 18.7 (Trailing: 20.4 / Median: 14.0) | RELATIVE P/E RATIO 0.97 | DIV'D YLD 1.3% | VALUE LINE

TIMELINESS	3 Lowered 10/24/03
SAFETY	2 Raised 6/28/02
TECHNICAL	3 Raised 10/22/04
BETA .75 (1.00 = Market)	

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+20%)	6%
Low	40	(-5%)	1%

Insider Decisions

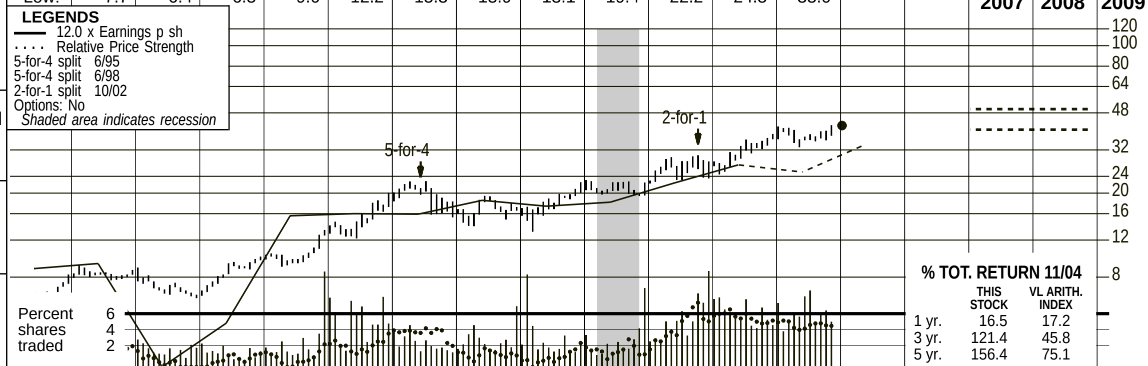
	J	F	M	A	M	J	J	A	S
to Buy	0	0	1	0	2	0	0	0	0
Options	0	0	1	0	2	0	0	1	3
to Sell	0	0	0	0	0	0	0	0	1

Institutional Decisions

	1Q2004	2Q2004	3Q2004
to Buy	65	66	53
to Sell	49	49	44
Hld's(000)	19310	18999	19161

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	9.2	8.9	10.0	13.4	20.1	22.8	19.4	22.5	23.1	30.2	38.2	43.7
Low:	7.7	6.4	6.5	9.0	12.2	15.3	13.9	13.1	19.4	22.2	24.5	33.0

Target Price Range 2007 | 2008 | 2009



% TOT. RETURN 11/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	16.5	17.2
3 yr.	121.4	45.8
5 yr.	156.4	75.1

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
4.59	3.98	4.11	4.34	5.73	6.81	6.89	6.80	6.68	6.57	6.84	9.89	11.81	13.77	14.10	18.42	**20.25**	**20.75**	P/C Prem Earned p sh	**26.95**
.42	.54	.63	.68	.71	.91	.99	1.12	1.21	1.14	1.15	1.32	1.48	1.62	1.53	1.75	**2.00**	**2.25**	Investment Inc p sh	**2.95**
.74	.71	.17	1.88	.09	.61	d1.30	d.38	.70	.80	.81	.87	.62	.39	.63	1.48	**1.00**	**1.75**	Underwriting Inc p sh	**2.55**
.38	.45	.65	.71	.73	.77	d.27	.40	1.30	1.33	1.33	1.54	1.45	1.51	1.86	2.27	**2.10**	**2.85**	Earnings per sh A	**3.80**
.11	.12	.13	.15	.16	.18	.17	.20	.22	.22	.26	.27	.29	.31	.34	.38	**.49**	**.56**	Div'ds Decl'd per sh B ■	**.70**
3.43	3.97	4.37	5.25	5.97	7.53	6.37	8.08	10.23	12.35	14.13	14.84	16.66	16.92	18.50	22.02	**23.80**	**25.00**	Book Value per sh	**26.95**
18.69	17.68	17.68	17.68	18.00	18.49	20.35	19.63	19.55	21.59	20.81	19.75	19.61	19.83	24.68	25.17	**25.20**	**26.00**	Common Shs Outst'g C	**26.00**
85%	67%	82%	90%	110%	110%	113%	104%	101%	122%	138%	113%	107%	124%	141%	143%			Price to Book Value	**170%**
7.7	6.0	5.6	6.6	8.9	10.7	- -	20.9	7.9	11.3	14.7	10.9	12.3	13.9	14.0	13.8	*Bold figures are*		Avg Ann'l P/E Ratio	**12.0**
.64	.45	.42	.42	.54	.63	- -	1.40	.49	.65	.76	.62	.80	.71	.76	.80	*Value Line*		Relative P/E Ratio	**.80**
3.7%	4.6%	3.7%	3.1%	2.4%	2.1%	2.4%	2.4%	2.1%	1.5%	1.3%	1.6%	1.6%	1.5%	1.3%	1.2%	*estimates*		Avg Ann'l Div'd Yield	**1.5%**

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
140.2	133.5	130.7	141.9	142.3	195.3	231.6	273.0	348.0	463.6	**510**	**540**	P/C Premiums Earned	**700**
73.4%	63.6%	52.3%	43.2%	45.5%	49.4%	53.8%	57.1%	58.4%	60.2%	**63.0%**	**60.0%**	Loss to Prem Earned D	**59.5%**
43.5%	42.9%	36.8%	43.8%	39.0%	35.9%	36.4%	34.7%	18.6%	31.8%	**32.0%**	**31.5%**	Expense to Prem Writ D	**31.0%**
d16.9%	d6.5%	10.9%	13.0%	15.5%	14.7%	9.8%	8.2%	23.1%	8.1%	**5.0%**	**8.5%**	Underwriting Margin D	**9.5%**
- -	3.9%	27.1%	27.3%	25.1%	26.9%	25.1%	26.3%	20.3%	23.4%	**27.0%**	**28.0%**	Income Tax Rate	**28.0%**
d5.0	8.0	25.7	30.2	28.2	31.5	28.7	30.2	38.2	58.6	**55.0**	**75.0**	Net Profit ($mill)	**100**
5.7%	4.9%	4.8%	4.2%	3.8%	4.1%	4.1%	4.3%	4.0%	3.4%	**3.7%**	**4.0%**	Inv Inc/Total Inv	**5.0%**
752	815	845	912	1013	1170	1281	1391	1719	2134	**2450**	**2650**	Total Assets ($mill)	**3350**
129.6	158.6	200.0	266.6	294.0	293.1	326.7	335.4	456.6	554.1	**600**	**650**	Shr. Equity ($mill)	**875**
NMF	5.0%	12.8%	11.3%	9.6%	10.7%	8.8%	9.0%	8.4%	10.6%	**9.0%**	**11.5%**	Return on Shr. Equity E	**11.5%**
NMF	2.6%	10.7%	9.6%	7.8%	8.8%	7.0%	7.2%	6.9%	8.9%	**7.0%**	**9.0%**	Retained to Com Eq	**9.0%**
NMF	48%	17%	16%	18%	18%	20%	20%	17%	16%	**23%**	**20%**	All Div'ds to Net Prof	**18%**

CAPITAL STRUCTURE as of 9/30/04
Total Debt $146.6 mill. **Due in 5 Yrs** $46.6 mill.
(20% of Cap'l)
Leases, Uncapitalized $10.1 million
Pension Assets-12/03 $9.5 mill. **Oblig.** $9.4 mill.

Pfd Stock None

Common Stock 25,262,293 shs.
as of 10/18/04

MARKET CAP: $1.1 billion (Mid Cap)

FINANCIAL POSITION ($MILL.)	2002	2003	9/30/04
Bonds	724.8	1024.3	1147.4
Stocks	227.3	276.0	301.2
Other	767.2	834.1	946.5
Total Assets	1719.3	2134.4	2395.1
Unearned Prems	350.8	367.6	378.3
Reserves	732.8	903.4	1086.5
Other	179.2	309.2	342.7
Total Liab'ties	1262.8	1580.2	1807.5

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Premium Inc	10.5%	18.0%	*9.5%*
Invest Income	8.0%	7.0%	*10.5%*
Earnings	10.0%	7.5%	*12.5%*
Dividends	8.0%	8.0%	*12.5%*
Book Value	12.0%	9.5%	*6.0%*

Cal-endar	NET PREMIUMS EARNED($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	63.3	66.6	69.8	73.3	273.0
2002	74.1	81.7	91.6	100.6	348.0
2003	109.1	113.6	119.0	121.9	463.6
2004	125.9	126.9	128.0	**129.2**	**510**
2005	**130**	**135**	**135**	**140**	**540**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.36	.37	.40	.38	1.51
2002	.39	.45	.49	.53	1.86
2003	.55	.55	.57	.60	2.27
2004	.59	.66	.20	**.65**	**2.10**
2005	**.68**	**.70**	**.72**	**.75**	**2.85**

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.07	.07	.075	.075	.29
2001	.075	.075	.08	.08	.31
2002	.08	.08	.09	.09	.34
2003	.09	.09	.10	.10	.38
2004	.11	.11	.13	.14	

BUSINESS: RLI through its subsidiaries, RLI Insurance and Mt. Hawley, writes multiple lines of insurance on an admitted basis in all 50 states. Also underwrites specialty property and casualty insurance on an admitted basis and excess and surplus business on a non-admitted basis. Underwrites earthquake premiums (in California). Other companies in the group include: Replacement Lens, Inc.; License Express Services, Inc. Has 560 employees. Gerald Stephens owns 6.3% of shs. outst.; Franklin Resources, 6.3%; State Street Bank, 9.9%. Directors & officers own 11.1% of shares out. (3/04 proxy). Pres. and CEO: Jonathan Michael. Chairman: Gerald D. Stephens. Add.: 9025 North Lindbergh Drive, Peoria, Illinois 61615. Tel.: 309-692-1000. Internet: www.rlicorp.com.

RLI Corp. registered a considerable year-over-year share-earnings decline during the September quarter. The sole culprit behind the decrease, however, was the four hurricanes that hit the southeastern United States during the period. Indeed, these storms resulted in losses of approximately $12.5 million, aftertax, or $0.47 a share. Furthermore, the combined ratio increased by nearly 13% from last year's level, a result of these catastrophic storms. Nevertheless, absent the hurricanes, and assuming a more-normal level of weather-related events, RLI's share net would have at least matched our initial $0.58 estimate. This implies that the company's core fundamentals are still in quite good shape.

We anticipate a solid bottom-line improvement for the company next year. Although pricing conditions in the broader P/C insurance industry have flattened or declined in many product lines, we believe that RLI's production should increase next year, as most of its policies are written at quite profitable levels. Furthermore, investment income should trend markedly higher, thanks to strong cash flow and higher yields on fixed-income securities. Finally, assuming a more normal level of catastrophes, we look for RLI's underwriting profit to trend higher over the next 12 to 18 months.

RLI appears poised to achieve underwriting profitability over the forthcoming 3 to 5 years. Its balance sheet is also in good shape with minimal debt and an adequate level of reserves to cover anticipated losses.

These average-ranked shares have climbed in price by 10% since our September review. Consequently, despite the company's strong operating metrics, RLI shares' 3- to 5-year total-return potential falls below the *Value Line* median at the current quotation. This, despite two dividend increases over the past two quarters. Worth noting: RLI has received a subpoena from the Illinois Department of Insurance related to the industrywide investigation into improper accounting methods by insurance agents. Company management does not believe that RLI is a specific target of the investigation and will fully cooperate with the investigation.

Alan G. House *December 24, 2004*

(A) Dil. egs. Incl. cap. gains: '01, 13¢; '00, 9¢; '99, 15¢; '98, 5¢; '97, 10¢; '96, 3¢; '95, 1¢; Excludes cap. gains and losses beginning in 2002. Excludes extraordinary gain; '01, 8¢. Excludes nonrecurring charge of 11¢ in '02. Next egs. report due early Feb.
(B) Div'ds. historically paid in mid-Jan., mid-April, mid-July, mid-Oct. ■ Div'd. reinvestment plan available. **(C)** In mill., adj. for stock splits and div'ds. **(D)** GAAP ratios '98 and beyond. **(E)** Based on year-end equity.

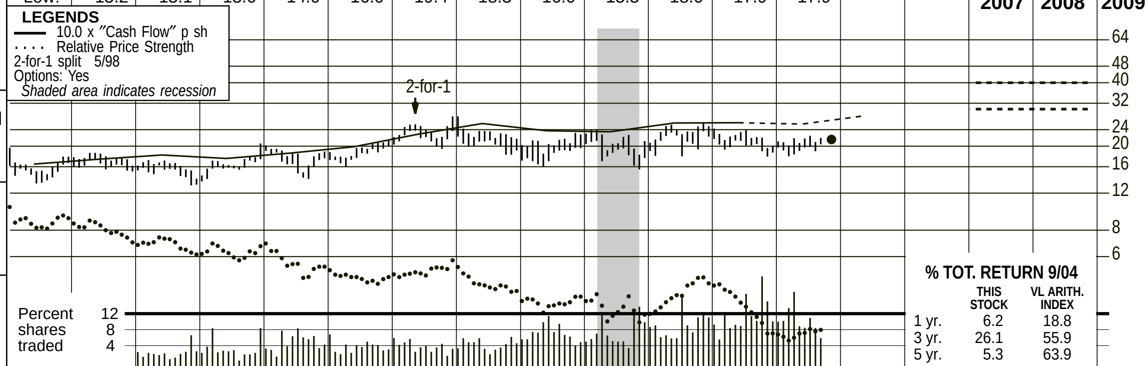
Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	95
Earnings Predictability	90

SENSIENT TECH. NYSE-SXT

RECENT PRICE	21.53	P/E RATIO	13.3 (Trailing: 14.4; Median: 14.0)	RELATIVE P/E RATIO	0.74	DIV'D YLD	2.8%	VALUE LINE

TIMELINESS 3 Raised 8/6/04
SAFETY 2 Raised 2/18/94
TECHNICAL 3 Lowered 11/5/04
BETA .70 (1.00 = Market)

High:	18.6	17.2	20.6	20.2	21.5	27.8	27.8	23.2	24.0	26.0	24.3	22.4
Low:	15.2	13.1	13.6	14.0	16.0	19.4	18.3	16.0	15.5	18.0	17.9	17.9



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+85%)	18%
Low	30	(+40%)	10%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	1	2	0	0	1	1	1
Options	0	0	0	0	0	0	0	3	0
to Sell	0	0	0	0	0	0	0	3	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	104	98	78
to Sell	74	59	72
Hld's(000)	39032	39859	41404

% TOT. RETURN 9/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	6.2	18.8
3 yr.	26.1	55.9
5 yr.	5.3	63.9

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
14.58	16.63	16.46	15.62	16.79	16.90	17.84	15.19	15.86	16.13	16.75	18.28	16.67	17.23	19.91	21.13	**21.90**	**23.10**	Sales per sh A	**26.75**
.93	1.20	1.46	1.63	1.65	1.74	1.82	1.75	1.86	1.99	2.28	2.56	2.37	2.35	2.58	2.59	**2.55**	**2.75**	"Cash Flow" per sh	**3.60**
.56	.80	.95	1.09	1.01	1.08	1.12	1.09	1.18	1.27	1.40	1.57	1.42	1.36	1.69	1.66	**1.60**	**1.70**	Earnings per sh B	**2.35**
.22	.27	.34	.38	.42	.44	.46	.48	.50	.53	.53	.53	.53	.53	.53	.59	**.60**	**.60**	Div'ds Decl'd per sh C ■	**.70**
.44	.93	1.37	1.03	.85	.69	1.06	.82	1.16	1.44	1.29	1.24	1.14	.80	1.00	1.59	**1.15**	**1.05**	Cap'l Spending per sh	**1.05**
3.59	4.04	4.77	5.47	5.76	5.78	6.28	6.93	6.90	7.43	7.93	8.57	8.59	9.09	10.58	12.42	**13.25**	**14.30**	Book Value per sh D	**18.00**
49.48	50.34	50.98	53.40	52.62	52.77	52.12	52.20	50.84	51.18	51.16	50.34	48.55	47.41	47.21	46.72	**47.00**	**47.00**	Common Shs Outst'g E	**47.60**
11.9	14.0	14.5	16.2	16.2	15.9	14.4	14.1	14.9	14.2	15.9	14.3	13.5	14.8	13.2	12.7	*Bold figures are*		Avg Ann'l P/E Ratio	**14.0**
.99	1.06	1.08	1.03	.98	.94	.94	.94	.93	.82	.83	.82	.88	.76	.72	.73	*Value Line*		Relative P/E Ratio	**.90**
3.3%	2.4%	2.5%	2.2%	2.6%	2.6%	2.9%	3.1%	2.8%	2.9%	2.4%	2.4%	2.8%	2.6%	2.4%	2.8%	*estimates*		Avg Ann'l Div'd Yield	**1.8%**

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
929.9	793.0	806.4	825.7	856.8	920.2	809.2	816.9	939.9	987.4	**1030**	**1085**	Sales ($mill) A	**1275**
15.7%	17.3%	17.7%	17.5%	20.2%	21.1%	21.8%	20.5%	20.0%	17.6%	**17.5%**	**18.0%**	Operating Margin	**19.0%**
36.4	34.6	33.5	37.3	44.2	48.9	45.6	46.3	41.3	43.1	**46.0**	**49.0**	Depreciation ($mill)	**59.0**
58.5	56.9	60.9	64.7	72.6	80.1	69.6	65.0	80.7	77.9	**75.0**	**81.0**	Net Profit ($mill)	**115**
37.3%	35.2%	35.0%	28.5%	32.5%	32.7%	28.2%	27.8%	31.0%	23.2%	**28.5%**	**31.0%**	Income Tax Rate	**31.0%**
6.3%	7.2%	7.6%	7.8%	8.5%	8.7%	8.6%	8.0%	8.6%	7.9%	**7.3%**	**7.4%**	Net Profit Margin	**8.8%**
135.6	143.8	162.4	163.8	148.0	162.9	239.3	223.0	266.3	254.3	**270**	**300**	Working Cap'l ($mill)	**410**
172.2	160.7	196.9	252.5	291.6	385.4	417.1	423.1	511.7	525.9	**510**	**490**	Long-Term Debt ($mill)	**400**
327.4	361.8	351.0	380.5	405.6	431.6	417.1	430.8	499.4	580.1	**625**	**670**	Shr. Equity ($mill)	**855**
13.2%	12.3%	12.5%	11.5%	11.8%	11.3%	10.4%	9.2%	9.3%	8.2%	**8.0%**	**8.0%**	Return on Total Cap'l	**10.0%**
17.9%	15.7%	17.4%	17.0%	17.9%	18.6%	16.7%	15.1%	16.2%	13.4%	**12.0%**	**12.0%**	Return on Shr. Equity	**13.0%**
10.5%	8.8%	10.0%	10.0%	11.2%	12.4%	10.5%	9.2%	11.0%	8.6%	**7.5%**	**8.0%**	Retained to Com Eq	**9.5%**
41%	44%	42%	41%	37%	33%	37%	39%	32%	36%	**38%**	**35%**	All Div'ds to Net Prof	**30%**

CAPITAL STRUCTURE as of 6/30/04
Total Debt $624.9 mill. **Due in 5 Yrs** $352.0 mill.
LT Debt $514.4 mill. **LT Interest** $31.0 mill.
(LT interest earned: 5.1x; total interest coverage: 4.5x) (48% of Cap'l)

Leases, Uncapitalized Annual rentals $7.4 mill.
Pension Assets-12/03 $4.0 million
Obligations $25.7 million

Common Stock 46,882,261 shs.
as of 7/31/04
MARKET CAP: $1.0 billion (Mid-Cap)

CURRENT POSITION ($MILL.)	2001	2002	6/30/04
Cash Assets	2.3	2.1	4.5
Receivables	134.6	160.2	172.6
Inventory (FIFO)	241.0	269.7	321.3
Other	37.3	43.6	45.0
Current Assets	415.2	475.6	543.4
Accts Payable	95.9	55.5	74.8
Debt Due	68.5	47.0	110.5
Other	27.8	106.8	79.7
Current Liab.	192.2	209.3	265.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Sales	1.5%	3.5%	8.0%
"Cash Flow"	4.0%	4.0%	10.0%
Earnings	4.0%	4.0%	11.0%
Dividends	3.0%	1.0%	7.0%
Book Value	6.5%	7.5%	8.5%

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Mar.31	Jun.30	Sep.30	Dec.31	Full Fiscal Year
2001	195.7	203.9	204.1	213.2	816.9
2002	213.1	239.6	238.0	249.2	939.9
2003	235.1	261.9	247.3	243.1	987.4
2004	254.2	263.8	256.8	**255.2**	**1030**
2005	**265**	**280**	**270**	**270**	**1085**

Fiscal Year Ends	EARNINGS PER SHARE AB Mar.31	Jun.30	Sep.30	Dec.31	Full Fiscal Year
2001	.23	.38	.33	.42	1.36
2002	.36	.44	.42	.47	1.69
2003	.43	.46	.44	.33	1.66
2004	.32	.39	.46	**.43**	**1.60**
2005	**.34**	**.42**	**.48**	**.46**	**1.70**

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.133	.133	.133	.133	.53
2001	.133	.133	.133	.133	.53
2002	.133	.133	.133	.133	.53
2003	.14	.15	.15	.15	.59
2004	.15	.15	.15		

BUSINESS: Sensient Technologies (formerly Universal Foods) supplies colors, flavors, and fragrances for ink-jet ink, digital displays, food and beverages, and cosmetics and pharmaceuticals. Sales breakdown (2003): flavor & fragrances, 58%; color, 35%; other, 7%. Purchased Formulabs, 7/03; ECS, 4/02; flavors operation of C. Melchers, 3/02. Sold Red Star Yeast, 3/01; cheese unit, 4/90. Has 3,454 employees, 4,586 stockholders of record. Officers & directors own 4.2% of common stock; Sensient Employee Stock Ownership and Savings Plans, 5.7%; Gabelli Asset Mgmt., 13.0%; Wellington Mgmt., 7.3% (3/04 proxy). Chrmn., Pres. & CEO: Ken P. Manning. Inc.: WI. Addr.: 777 E. Wisconsin Ave., Milwaukee, WI 53202. Tel.: 414-271-6755. Web: www.sensient-tech.com.

Sensient Technologies earned $21.6 million on overall sales of $256.8 million in the September quarter. On a per-share basis, profits at the supplier of flavors and colors rose 5%, year over year, which was in line with our projections. That said, the quality of results were not as good as we had hoped. An unforeseen tax credit added $0.04 to share net. The offset was a greater-than-expected decline in profit margins. Gross margins narrowed nearly 200 basis points, year over year, to just over 30%. A weak pricing environment, particularly within the European food and beverage colors business, was largely to blame.

We're taking a more conservative stance with respect to both 2004 and 2005. Notably, our 2004 share-net target is now a nickel lower at $1.60, implying a 4% year-over-year decline from 2003's $1.66 tally. At $1.70, our 2005 assessment is a dime below our target of three months ago. The downward revisions reflect reduced margin assumptions. Heightened competition and a continuing push by food processors to lower costs, we suspect, will lead to additional price erosion and margin pressure. Weak economic conditions in several major markets may further limit Sensient's options. That said, cost-cutting moves should provide some relief. Plant closures and layoffs, for example, are expected to save the company upwards of $10 million annually (on a pretax basis). It is also worth noting that our sales projections for both years are unchanged, as we think improved volumes should help offset the top-line impact of lower selling prices.

We look for decent earnings growth out to 2007-2009. Our positive stance is partly based on an accelerated pace of new product development by beverage companies and food processors. An increased contribution from more profitable business lines, such as cosmetic colors, should also help. That said, it will probably take a shakeout of weaker industry players before pricing meaningfully improves.

Sensient shares remain an average selection for year-ahead price performance. Long-term investors may be nicely rewarded. The stock has been tightly range-bound for the past seven years, but we think it will break out to the upside.

Nils C. Van Liew *November 5, 2004*

(A) Fiscal yr. ended Sept. 30th. thru '99; calendar thereafter. (B) Primary egs. thru 1997, dil. thereafter. Excl. nonrecur. gains (losses): '92, d23¢; '93, d45¢; '94, d15¢; '95, 18¢; '96, d33¢; '00, d8¢; '01, 20¢; '03, 7¢. Next egs. rep't due early Feb. (C) Dividends historically paid in early March, June, September, and December ■ Dividend reinvestment plan avail. (D) Incl. intang. In '03: $446.5 mill., $9.56/sh. (E) In mill., adj. for stk. splits.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	40
Earnings Predictability	80

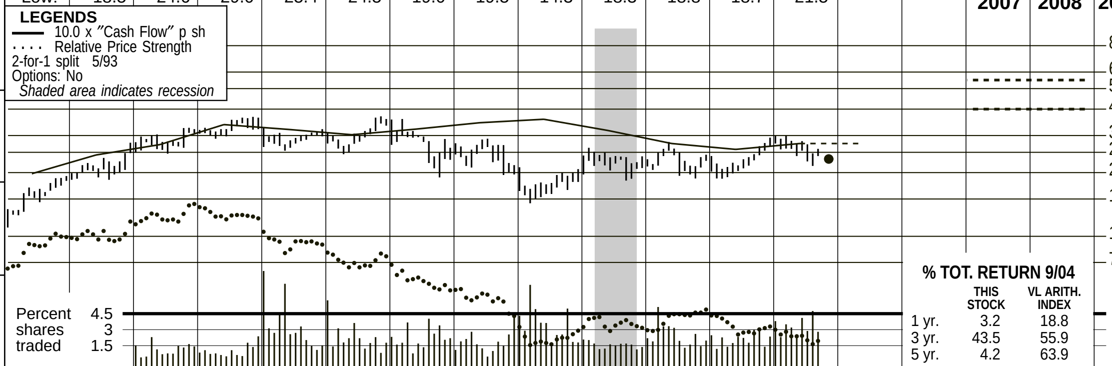
STANDEX INT'L NYSE-SXI

RECENT PRICE **23.25** | P/E RATIO **12.0** (Trailing: 13.0 / Median: 14.0) | RELATIVE P/E RATIO **0.69** | DIV'D YLD **3.6%** | VALUE LINE

TIMELINESS **3** Raised 9/3/04
SAFETY **2** Raised 2/2/01
TECHNICAL **3** Raised 10/8/04
BETA .80 (1.00 = Market)

High:	27.8	32.6	36.8	32.9	37.0	35.9	29.0	21.2	26.3	28.0	29.3	30.0
Low:	18.5	24.6	29.0	25.4	24.5	19.0	19.5	14.3	18.3	18.8	18.7	21.5

Target Price Range
2007 | 2008 | 2009



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+135%)	26%
Low	40	(+70%)	17%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	1	0	0	0	0	1	0	0
Options	3	1	0	0	0	0	0	0	0
to Sell	0	3	1	0	0	0	0	0	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	46	46	49
to Sell	22	27	29
Hld's(000)	6408	6637	6926

% TOT. RETURN 9/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	3.2	18.8
3 yr.	43.5	55.9
5 yr.	4.2	63.9

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
18.83	21.55	23.71	26.78	28.81	33.27	36.30	40.63	41.84	43.00	47.16	49.74	51.69	49.34	47.49	47.12	47.30	52.00	Sales per sh A	66.65
1.37	1.61	1.64	1.79	1.98	2.42	2.72	3.38	3.21	3.02	3.22	3.45	3.58	3.17	2.75	2.58	2.75	3.00	"Cash Flow" per sh	4.90
.86	1.01	1.01	1.05	1.17	1.47	1.78	2.41	2.21	2.00	2.13	2.36	2.39	2.02	1.66	1.47	1.79	1.95	Earnings per sh B	3.70
.28	.30	.34	.36	.38	.43	.52	.63	.71	.75	.76	.76	.79	.83	.84	.84	.84	.84	Div'ds Decl'd per sh C	1.00
.66	.62	.66	.77	.94	.71	.91	.86	1.14	.93	1.52	1.30	1.85	1.14	.83	.65	.60	1.05	Cap'l Spending per sh	1.25
6.86	6.66	7.34	7.71	8.27	7.99	8.16	9.45	10.01	10.75	11.19	12.59	13.37	14.16	14.76	13.28	13.40	14.45	Book Value per sh D	20.85
22.82	20.60	19.41	17.99	16.56	15.22	14.58	14.01	13.45	13.13	13.07	12.90	12.32	12.16	12.09	12.19	12.21	12.20	Common Shs Outst'g E	12.00
10.1	11.0	12.0	11.2	10.9	12.8	14.0	12.5	14.2	14.4	14.9	10.5	8.4	10.3	13.9	14.5	14.6		Avg Ann'l P/E Ratio	13.0
.84	.83	.89	.72	.66	.76	.92	.84	.89	.83	.77	.60	.55	.53	.76	.83	.77		Relative P/E Ratio	.85
3.2%	2.7%	2.8%	3.0%	2.9%	2.3%	2.1%	2.1%	2.3%	2.6%	2.4%	3.1%	3.9%	4.0%	3.6%	4.0%	3.2%		Avg Ann'l Div'd Yield	2.1%

CAPITAL STRUCTURE as of 6/30/04
Total Debt $109.5 mill. **Due in 5 Yrs** $92.0 mill.
LT Debt $108.8 mill. **LT Interest** $5.7 mill.
Incl. $4.1 mill. capitalized leases.
(LT interest earned: 6.6x; total interest coverage: 6.6x) (40% of Cap'l)
Leases, Uncapitalized Annual rentals $5.1 mill.
Pension Assets-6/04 $177.5 mill. **Oblig.** $227.0 mill.

Pfd Stock None
Common Stock 12,207,136 shs.
MARKET CAP: $275 million (Small Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
529.4	569.3	562.7	564.6	616.2	641.4	637.0	600.2	574.0	574.5	577.5	635	Sales ($mill) A	800
11.1%	12.6%	12.2%	11.1%	11.2%	11.6%	11.6%	11.3%	9.0%	8.4%	8.6%	9.0%	Operating Margin	11.5%
12.5	12.4	12.5	12.8	13.9	13.8	13.6	13.7	12.9	13.6	11.5	12.0	Depreciation ($mill)	12.5
27.1	35.0	30.7	26.9	28.2	30.7	30.5	24.9	20.4	17.9	22.1	24.5	Net Profit ($mill)	46.0
35.7%	33.2%	36.2%	38.1%	38.4%	39.1%	38.4%	41.4%	31.7%	35.4%	30.9%	36.0%	Income Tax Rate	36.0%
5.1%	6.1%	5.5%	4.8%	4.6%	4.8%	4.8%	4.1%	3.6%	3.1%	3.8%	3.9%	Net Profit Margin	5.8%
126.8	143.2	138.9	137.0	148.9	146.5	145.0	139.8	44.0	105.8	85.1	85.0	Working Cap'l ($mill)	115
112.9	111.8	113.8	112.3	163.4	148.1	153.4	153.0	50.1	109.0	108.8	110	Long-Term Debt ($mill)	110
118.9	132.4	134.7	141.2	146.2	162.3	164.8	172.2	178.4	161.9	163.5	176	Shr. Equity ($mill)	250
12.8%	15.5%	13.7%	12.0%	10.5%	11.5%	11.3%	9.5%	10.7%	7.6%	9.1%	9.5%	Return on Total Cap'l	13.5%
22.8%	26.4%	22.8%	19.1%	19.3%	18.9%	18.5%	14.5%	11.4%	11.1%	13.5%	14.0%	Return on Shr. Equity	18.5%
16.3%	19.6%	15.6%	12.0%	12.5%	12.9%	12.4%	8.6%	5.8%	4.8%	7.2%	8.0%	Retained to Com Eq	13.5%
29%	26%	32%	37%	35%	32%	33%	41%	50%	57%	47%	42%	All Div'ds to Net Prof	26%

CURRENT POSITION ($MILL.)	2002	2003	6/30/04
Cash Assets	8.1	11.5	17.5
Receivables	93.2	91.7	89.4
Inventory (FIFO)	92.9	82.5	85.8
Other	4.6	5.4	3.8
Current Assets	198.8	191.1	196.5
Accts Payable	35.2	41.2	54.3
Debt Due	82.2	.9	.7
Other	37.4	43.2	56.4
Current Liab.	154.8	85.3	111.4

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '02-'04 to '07-'09
Sales	3.5%	.5%	7.0%
"Cash Flow"	1.5%	-3.5%	12.5%
Earnings	1.0%	-5.5%	17.5%
Dividends	6.5%	2.0%	3.5%
Book Value	5.5%	3.5%	8.5%

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Sep.30	Dec.31	Mar.31	Jun.30	Full Fiscal Year
2001	151.3	158.7	140.2	150.0	600.2
2002	143.7	149.9	136.9	143.5	574.0
2003	144.7	147.1	135.9	146.8	574.5
2004	129.4	141.2	143.5	163.4	577.5
2005	145	160	160	170	635

Fiscal Year Ends	EARNINGS PER SHARE A B Sep.30	Dec.31	Mar.31	Jun.30	Full Fiscal Year
2001	.57	.61	.33	.51	2.02
2002	.45	.52	.29	.40	1.66
2003	.42	.34	.22	.49	1.47
2004	.40	.41	.39	.59	1.79
2005	.46	.45	.43	.61	1.95

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.20	.20	.20	.21	.81
2001	.21	.21	.21	.21	.84
2002	.21	.21	.21	.21	.84
2003	.21	.21	.21	.21	.84
2004	.21	.21	.21		

BUSINESS: Standex Intl. Corp.'s various products and services are in five segments. Food Service: Refrigerated cabinets, ovens, baking equip. & display cases. Consumer: Religious lit., a chain of Christian bookstores & mail-order food. Air Distribution: Ducts for heating, ventilating & air cond. Engraving: Texturizes plastics, paper, etc. Engineered Products: Formed components for aerospace and other ind., and sensors & reed switches. 2004 depr. rate: 5.1%. Has about 5,200 empls, 2,830 stkhldrs. Off. & dir. control 2.5% of stk; Empls.' Retirement Savings Plan, 7.8%; Wedge Capital Management, 7.4%. (9/04 proxy). Chrmn: Edward J. Trainor. Pres. & CEO: Roger Fix. Inc.: DE. Address: 6 Manor Pkwy, Salem, NH 03079. Tel.: 603-893-9701. Internet: www.standex.com.

Standex International finished fiscal 2004 (ended June 30th) on a high note. The company has restructured itself into five segments from three in the past. And Food Service (the largest) has continued its dramatic gains, with its internal growth reaching 11% for the year. In addition, the Consumer unit, on a continuing basis, registered sluggish sales, but an efficiency program more than doubled its operating profits. (Note that we've restated fiscal 2004 quarterly sales and share earnings in light of late-year dispositions of units.) We estimate further gains in fiscal 2005, although high auditing and legal fees, necessitated by government regulations, will probably offset some of the profitability gains we foresee.

There have been some changes. During fiscal 2004, Standex sold or closed down six units that had generated sales of $97 million in fiscal 2003. At the same time, it acquired five businesses with annual sales of $75 million. In addition, six operations were consolidated into other facilities. These steps were in line with a long-standing policy of treating business units like a stock portfolio, disposing of those that seemed to have met their potential, while increasing investments in good performers. This policy seems likely to continue in the future. Indeed, it may well accelerate because,

This company is no longer an aggressive repurchaser of its stock. During the 18 years ended June, 2002, Standex retired nearly 57% of its shares at a cost of about $300 million. But it spent only about $2 million in each of the past two years, which is permitting more of the company's large "Cash Flow" to be spent on attractive bolt-on acquisitions.

Good-quality Standex stock has wide capital-gains potential over the 3- to 5-year pull. For one thing, pension costs, which surged in recent years, are likely to be less burdensome in fiscal 2005 and subsequently. Meanwhile, the restructuring plan, which is virtually complete, should help margins to widen. And the company should benefit from the availability of more funds for acquisitions. As a result, although the share earnings we estimate for 2005 are likely to lag the past peak, we project new high ground by 2007-2009.

Morton L. Siegel *October 29, 2004*

(A) Fiscal year ends June 30th.
(B) Primary earnings through 1997, then diluted. Excl. nonrecur. gains (losses): '88, (31¢); '90, 11¢; '92, 12¢; '95, 23¢; '98, (61¢); '99, 5¢; '00, (22¢); '02, (31¢); '03, (31¢); '04, (93¢). Amort. FASB 106 liability over 20 years, began 1994. Next egs. rpt. due late Jan
(C) Dividends historically paid in late Feb., May, Aug., and Nov.
(D) Includes intangibles. In 2004: $63.4 mill., $5.19/sh. (E) In mill. adj. for stock split.

Company's Financial Strength	B++
Stock's Price Stability	80
Price Growth Persistence	15
Earnings Predictability	85

TECUMSEH PRODUCTS NDQ-TECUA

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
41.71	22.4 (Trailing: 17.5, Median: 11.0)	1.28	3.1%

VALUE LINE

TIMELINESS **3** Raised 6/25/04
SAFETY **2** Lowered 11/11/94
TECHNICAL **4** Lowered 10/15/04
BETA .80 (1.00 = Market)

High:	47.3	55.5	54.0	60.3	60.1	58.0	67.8	51.9	54.0	57.3	50.0	50.4
Low:	26.8	40.4	43.3	50.0	46.9	42.4	41.5	34.6	38.8	37.8	34.6	35.3

2007-09 PROJECTIONS

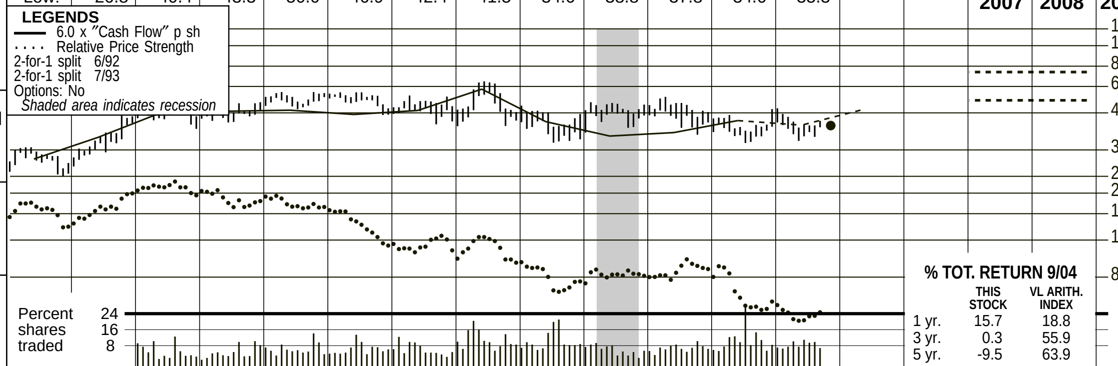
	Price	Gain	Ann'l Total Return
High	75	(+80%)	18%
Low	55	(+30%)	10%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	73	67	67
to Sell	44	52	52
Hld's(000)	12045	11754	11599



% TOT. RETURN 9/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	15.7	18.8
3 yr.	0.3	55.9
5 yr.	-9.5	63.9

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
49.98	69.00	60.24	54.72	57.52	60.06	70.08	78.43	81.56	79.13	83.82	91.66	87.39	75.70	72.72	98.43	*98.90*	*101.90*	Sales per sh	*117.55*
4.60	5.78	3.79	4.22	4.84	6.12	8.04	8.15	8.25	7.86	8.21	10.38	7.27	6.21	6.45	7.36	*7.00*	*8.35*	"Cash Flow" per sh	*12.20*
3.21	3.78	1.53	1.94	2.39	3.72	5.50	5.45	5.30	4.59	4.63	6.56	3.44	2.30	2.93	2.08	*1.60*	*2.80*	Earnings per sh A	*6.00*
1.05	1.11	.80	.80	.80	1.15	1.35	1.61	1.68	1.20	1.20	1.22	1.28	1.28	1.28	1.28	*1.28*	*1.28*	Div'ds Decl'd per sh B	*1.32*
1.72	2.63	2.96	3.92	2.59	2.34	6.22	5.82	5.27	4.15	3.08	3.69	3.39	3.54	4.00	4.48	*4.30*	*4.30*	Cap'l Spending per sh	*4.60*
28.24	31.18	31.64	32.58	29.24	31.39	35.90	40.09	43.30	45.80	47.69	51.24	52.72	52.91	52.97	54.37	*54.05*	*55.40*	Book Value per sh C	*60.85*
21.88	21.88	21.88	21.88	21.88	21.88	21.88	21.88	21.88	21.84	20.88	19.79	18.88	18.48	18.48	18.48	*18.50*	*18.50*	Common Shs Outst'g D	*18.50*
11.3	9.5	17.7	12.2	12.1	9.7	8.7	8.9	10.5	12.1	11.0	8.2	12.3	21.0	16.5	19.7	*Bold figures are*		Avg Ann'l P/E Ratio	*11.0*
.94	.72	1.31	.78	.73	.57	.57	.60	.66	.70	.57	.47	.80	1.08	.90	1.14	*Value Line*		Relative P/E Ratio	*.75*
2.9%	3.1%	3.0%	3.4%	2.8%	3.2%	2.8%	3.3%	3.0%	2.2%	2.4%	2.3%	3.0%	2.7%	2.7%	3.1%	*estimates*		Avg Ann'l Div'd Yield	*2.0%*

CAPITAL STRUCTURE as of 6/30/04
Total Debt $378.5 mill. **Due in 5 Yrs** $190.0 mill.
LT Debt $326.7 mill. **LT Interest** $18.5 mill.
(LT interest earned: 4.0x;
total interest coverage: 3.6x) (25% of Cap'l)
Pension Assets-12/03 $575.9 mill.
Oblig. $371.6 mill.

Pfd Stock None
Common Stock 18,479,684 shs.
(Includes 5.08 mill. Class 'B' shares that have one vote per share and 13.40 mill. Class 'A' shares that are nonvoting.)
MARKET CAP: $775 million (Small Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
1533.4	1716.0	1784.6	1728.3	1750.2	1814.3	1649.9	1398.9	1343.8	1819.0	*1830*	*1885*	Sales ($mill)	*2175*
14.4%	12.4%	13.1%	12.5%	12.3%	14.4%	11.6%	10.8%	11.2%	9.2%	*8.5%*	*10.0%*	Operating Margin	*13.0%*
55.7	59.2	64.6	71.1	74.2	72.4	71.2	72.0	65.1	97.6	*100*	*103*	Depreciation ($mill)	*115*
120.3	119.2	115.9	100.5	97.1	133.1	66.1	42.8	54.1	38.5	*29.5*	*52.0*	Net Profit ($mill)	*110*
37.3%	36.6%	36.4%	37.5%	38.0%	36.5%	38.7%	29.1%	35.4%	NMF	*32.0%*	*33.0%*	Income Tax Rate	*35.0%*
7.8%	6.9%	6.5%	5.8%	5.6%	7.3%	4.0%	3.1%	4.0%	2.1%	*1.6%*	*2.7%*	Net Profit Margin	*5.1%*
504.2	521.3	549.7	554.8	605.9	618.6	602.4	605.7	503.7	545.5	*560*	*600*	Working Cap'l ($mill)	*700*
9.1	14.7	14.4	17.5	17.2	15.6	14.2	13.7	298.2	327.6	*325*	*317*	Long-Term Debt ($mill)	*300*
785.5	877.1	947.5	1000.2	995.7	1014.2	995.4	977.7	978.9	1004.8	*1000*	*1025*	Shr. Equity ($mill)	*1125*
15.2%	13.4%	12.1%	10.1%	9.6%	13.0%	6.6%	4.4%	4.4%	3.6%	*3.0%*	*4.5%*	Return on Total Cap'l	*8.5%*
15.3%	13.6%	12.2%	10.0%	9.8%	13.1%	6.6%	4.4%	5.5%	3.8%	*3.0%*	*5.0%*	Return on Shr. Equity	*10.0%*
11.6%	9.6%	8.3%	7.4%	7.2%	10.7%	4.2%	1.9%	3.1%	1.5%	*.5%*	*2.5%*	Retained to Com Eq	*7.5%*
25%	30%	32%	26%	26%	19%	37%	56%	44%	61%	*80%*	*46%*	All Div'ds to Net Prof	*22%*

CURRENT POSITION ($MILL.)	2002	2003	6/30/04
Cash Assets	333.1	344.6	283.1
Receivables	242.4	235.0	272.3
Inventory (FIFO)	304.0	298.2	304.9
Other	75.6	102.3	124.0
Current Assets	955.1	980.1	984.3
Accts Payable	172.6	172.4	187.0
Debt Due	112.6	89.6	51.8
Other	166.2	172.6	187.9
Current Liab.	451.4	434.6	426.7

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Sales	3.5%	- -	6.0%
"Cash Flow"	3.0%	-4.0%	10.5%
Earnings	-1.0%	-13.0%	16.0%
Dividends	3.5%	-1.0%	.5%
Book Value	5.5%	3.0%	3.5%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	404.7	382.0	313.1	299.1	1398.9
2002	333.4	395.3	310.9	304.2	1343.8
2003	473.9	482.3	438.5	424.3	1819.0
2004	477.0	484.2	*440*	*428.8*	*1830*
2005	*485*	*500*	*455*	*445*	*1885*

Cal-endar	EARNINGS PER SHARE A Mar. 31	Jun.30	Sep.30	Dec.31	Full Year
2001	.74	.94	.29	.33	2.30
2002	.39	1.27	.77	.50	2.93
2003	.60	d.35	1.03	.80	2.08
2004	.34	.22	*.55*	*.49*	*1.60*
2005	*.60*	*.75*	*.75*	*.70*	*2.80*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.32	.32	.32	.32	1.28
2001	.32	.32	.32	.32	1.28
2002	.32	.32	.32	.32	1.28
2003	.32	.32	.32	.32	1.28
2004	.32	.32	.32		

BUSINESS: Tecumseh Products makes: compressors and condensers used in refrigerators, freezers, and central and room air conditioners; gasoline engs and drive trains used in lawn & garden equip.; elec. motors for the ventilation, auto, health, and appliance mkts; and pumps for com'l, ind'l, and agric'l appls. '03 fgn sls: 41%. '03 deprec.: 7.2%. Acq'd FASCO, 12/02. Has 20,700 empls; 490 Cl. A and 479 Cl. B (voting) stkhldrs of rec. Off./dir. own 28.8% of B shs (4.2% of A shs); Cl. B: Herrick Fund., 26.9%; K.G. Herrick, 17.5%; T.W. Herrick, 28.8%; Comerica, 23.0%; M.A. Indenbaum, 17.5%; AXA, 8.5%; Franklin Res., 5.9% (3/04 proxy). Chrmn, Pres., & CEO: T.W. Herrick. Inc.: MI. Addr.: 100 E. Patterson St., Tecumseh, MI 49286. Tel.: 517-423-8411. Web: www.tecumseh.com.

Even though Tecumseh Products is still having troubles, its share price has held up well. Over the past few quarters, the company has had to deal with stiff competition, soft demand, foreign currency pressures, and high commodities prices. Management is striving to expand value-added product lines, implementing price hikes, and advancing restructuring efforts to boost results. Investors appear to view Tecumseh's recent actions as positive. The stock has risen in tandem with the broader market during the past three months and should continue to do so in the year ahead. Potential total returns to 2007-2009 are better than average. A strong capital structure gives management the flexibility to pursue accretive acquisitions, which would probably lend support to the issue's long-term appeal.

For all of this year, sales will likely be flat . . . The Engine & Power Train group is still suffering from the lingering effects on sales of the hot, dry summer of 2003 in Europe. Though now coming down to more reasonable levels, retail lawn and garden equipment inventories on the Continent remain heavy. Earlier this year, a slow production ramp-up in Brazil and component supply disruptions delayed shipments to U.S. customers and caused some account defections. A markedly improved sales performance is not likely until after 2005, or even 2006. At the Electrical Components business, gear motor and actuator demand is still soft. A firming order book offers some hope for 2005 sales. Tecumseh's Compressor segment is experiencing weakness in the domestic compressor, unitary air conditioning, and aftermarket sectors. Overseas sales activity is better, and the expansion of India export operations is promising. Though top-line expansion will be very limited in 2004, growth, albeit measured, should resume in 2005.

. . . And share net well down. Production glitches at low-cost foreign locations, increased steel and copper prices, and negative currency exchange impacts (the dollar vs. the euro and real) have narrowed margins and hurt earnings, as have sizable restructuring charges. This year's share net should mark a low point. Next year and beyond, cost savings should become more apparent at the bottom line.

David M. Reimer *October 29, 2004*

(A) Primary earnings through '96, diluted thereafter. Excl. net nonrecurring items: '90, d88¢; '92, d$4.34; '96, 15¢; '98, d$1.19; '99, 44¢; '02, d17¢; 1Q, '03, d47; 4Q, '03, d$1.60 (goodwill w/o). Incl. restructuring charges (gain): '00, $1.21; '01, $1.23; '02, 36¢; 2Q,'03, 99¢; 3Q, '03, (11¢); 4Q, '03, 3¢; 2Q, '04, 13¢. Next earnings report late Jan. (B) Div'ds hist. paid in late Mar., June, Sep., Dec. Special div'ds paid: '93, 35¢; '94, 55¢; '95, 60¢; '96, 60¢. (C) Incl. intang. assets. In '03, $317.5 mill, $17.18/sh. (D) In mill., adj'd for splits & stock div'ds.

Company's Financial Strength	A
Stock's Price Stability	80
Price Growth Persistence	15
Earnings Predictability	60

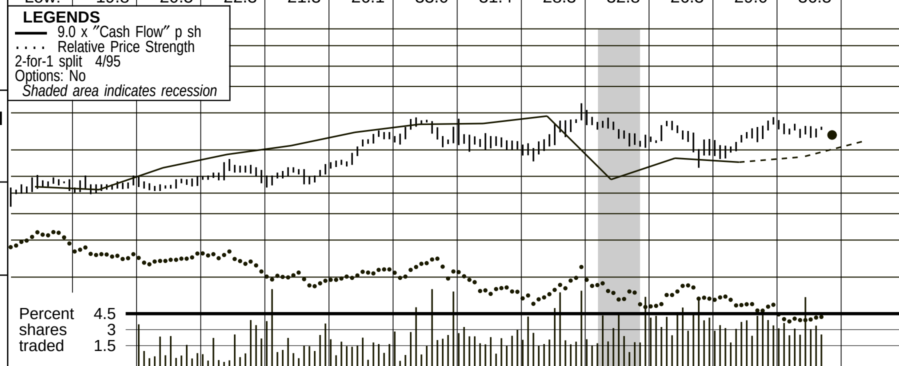
TENNANT CO. NYSE-TNC

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
37.67	22.8	(Trailing: 23.4) (Median: 14.0)	1.30	2.3%	VALUE LINE

TIMELINESS 5 Lowered 10/15/04
SAFETY 2 Raised 11/6/98
TECHNICAL 3 Raised 7/30/04
BETA .75 (1.00 = Market)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	24.3	24.3	29.0	27.5	39.6	45.8	45.0	53.4	49.6	44.0	45.8	44.3
Low:	19.8	20.5	22.3	21.3	26.1	33.0	31.4	28.3	32.8	26.3	29.0	36.5

LEGENDS
— 9.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 4/95
Options: No
Shaded area indicates recession



Percent shares traded 4.5 / 3 / 1.5

Target Price Range

2007	2008	2009

120, 100, 80, 64, 48, 32, 24, 20, 16, 12, 8

% TOT. RETURN 9/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	12.4	18.8
3 yr.	23.9	55.9
5 yr.	—	63.9

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+75%)	16%
Low	45	(+20%)	7%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	0	0	0	0	0	0
Options	3	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	38	28	23
to Sell	15	26	31
Hld's(000)	6072	6024	5996

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
17.37	20.01	21.47	20.40	21.87	22.49	28.63	32.69	34.41	38.55	42.76	47.77	50.16	46.81	47.23	49.76	**55.55**	**63.85**	Sales per sh	**83.35**
1.84	2.19	2.26	2.13	2.38	2.31	2.93	3.39	3.74	4.31	4.71	4.75	5.15	2.58	3.25	3.12	**3.30**	**3.95**	"Cash Flow" per sh	**6.65**
1.09	1.32	1.38	1.21	1.34	1.19	1.60	1.98	2.10	2.43	2.67	2.62	3.09	1.33	1.35	1.50	**1.60**	**2.00**	Earnings per sh A	**4.10**
.49	.55	.59	.60	.61	.64	.65	.68	.69	.72	.74	.76	.78	.80	.82	.84	**.86**	**.88**	Div'ds Decl'd per sh ■ B	**.94**
1.16	1.95	1.24	1.13	1.79	1.44	1.93	2.53	2.09	2.13	2.57	2.04	2.27	2.59	1.46	1.17	**1.85**	**2.05**	Cap'l Spending per sh	**2.85**
7.37	7.52	7.43	7.87	8.64	8.56	9.78	11.47	12.88	13.88	14.41	15.12	17.12	17.08	17.16	18.41	**20.00**	**22.25**	Book Value per sh D	**31.65**
10.59	9.85	9.85	9.73	9.82	9.83	9.84	9.95	10.01	9.66	9.11	8.99	9.05	9.04	8.98	8.99	**9.00**	**9.00**	Common Shs Outst'g C	**9.00**
12.2	12.1	13.1	15.0	16.2	18.2	13.8	12.7	11.6	13.4	14.7	13.3	12.2	30.2	27.1	24.5	*Bold figures are*		Avg Ann'l P/E Ratio	**13.5**
1.01	.92	.97	.96	.98	1.08	.91	.85	.73	.77	.76	.76	.79	1.55	1.48	1.41	*Value Line*		Relative P/E Ratio	**.90**
3.7%	3.5%	3.3%	3.3%	2.8%	3.0%	3.0%	2.7%	2.8%	2.2%	1.9%	2.2%	2.1%	2.0%	2.2%	2.3%	*estimates*		Avg Ann'l Div'd Yield	**1.7%**

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
281.7	325.4	344.4	372.4	389.4	429.4	454.0	423.0	424.2	447.6	**500**	**575**	Sales ($mill)	**750**
13.2%	13.6%	13.9%	14.4%	14.1%	13.2%	13.6%	8.5%	8.5%	7.4%	**7.5%**	**8.0%**	Operating Margin	**10.0%**
13.1	14.1	16.4	17.5	17.6	18.7	18.4	18.5	16.9	13.9	**15.0**	**17.5**	Depreciation ($mill)	**25.0**
15.7	19.7	21.0	24.2	25.3	24.0	28.3	4.8	12.3	14.2	**14.5**	**18.0**	Net Profit ($mill)	**35.0**
34.6%	33.2%	35.0%	35.7%	35.2%	35.6%	35.9%	65.1%	35.1%	37.0%	**37.0%**	**37.0%**	Income Tax Rate	**35.0%**
5.6%	6.0%	6.1%	6.5%	6.5%	5.6%	6.2%	1.1%	2.9%	3.2%	**2.9%**	**3.1%**	Net Profit Margin	**4.5%**
32.7	61.8	76.9	85.9	90.1	90.1	104.3	96.7	92.5	116.9	**120**	**140**	Working Cap'l ($mill)	**190**
6.3	23.2	21.0	20.7	23.0	16.0	10.0	10.0	5.0	6.3	**5.0**	**10.0**	Long-Term Debt ($mill)	**15.0**
96.3	114.1	128.9	134.1	131.3	135.9	154.9	154.3	154.1	165.6	**180**	**200**	Shr. Equity ($mill) D	**285**
15.5%	14.8%	14.6%	16.2%	17.0%	16.2%	17.4%	3.2%	7.9%	8.3%	**8.0%**	**8.5%**	Return on Total Cap'l	**11.5%**
16.4%	17.2%	16.3%	18.1%	19.3%	17.7%	18.2%	3.1%	8.0%	8.5%	**8.5%**	**9.0%**	Return on Shr. Equity	**12.0%**
9.7%	11.3%	10.9%	12.7%	14.0%	12.6%	13.7%	NMF	3.2%	4.0%	**4.0%**	**4.5%**	Retained to Com Eq	**7.0%**
41%	34%	33%	29%	27%	29%	25%	NMF	60%	53%	**54%**	**44%**	All Div'ds to Net Prof	**23%**

CAPITAL STRUCTURE as of 9/30/04
Total Debt $8.8 mill. **Due in 5 Yrs** $6.0 mill.
LT Debt $1.7 mill. **LT Interest** less than $1.0 mill.
(2% of Cap'l)

Leases, Uncapitalized: Annual rentals $2.8 mill.

Pension Assets-12/03 $27.3 mill. **Oblig.** $25.9 mill.

Pfd Stock None

Common Stock 9,150,000 shs.
MARKET CAP: $350 million (Small Cap)

CURRENT POSITION ($MILL.)	2002	2003	9/30/04
Cash Assets	16.4	24.6	23.9
Receivables	77.0	82.4	84.4
Inventory (LIFO)	58.9	54.7	55.6
Other	10.6	14.7	13.5
Current Assets	162.9	176.4	177.4
Accts Payable	25.7	27.2	40.2
Debt Due	14.9	1.0	7.1
Other	29.8	31.3	29.8
Current Liab.	70.4	59.5	77.1

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Sales	8.5%	4.5%	7.0%
"Cash Flow"	3.0%	-7.0%	8.5%
Earnings	-1.0%	-14.0%	9.5%
Dividends	3.0%	2.5%	3.0%
Book Value	7.5%	5.0%	13.0%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	103.7	110.7	105.0	103.6	423.0
2002	96.6	105.8	107.4	114.4	424.2
2003	106.7	110.8	110.1	120.0	447.6
2004	119.1	128.8	120.5	**131.6**	**500**
2005	**130**	**140**	**150**	**155**	**575**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.38	.53	.32	.10	1.33
2002	.22	.35	.30	.48	1.35
2003	.22	.36	.36	.56	1.50
2004	.28	.41	.31	**.60**	**1.60**
2005	**.33**	**.46**	**.50**	**.71**	**2.00**

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.19	.19	.20	.20	.78
2001	.20	.20	.20	.20	.80
2002	.20	.20	.21	.21	.82
2003	.21	.21	.21	.21	.84
2004	.21	.21	.22		

BUSINESS: Tennant Company designs, manufactures, and markets floor maintenance equipment. Products include sweepers, scrubbers, and other specialized equipment used primarily for maintaining industrial and commercial floors, roadways, and parking areas. Also produces industrial floor coatings. Discontinued coating application service 1992. Acquired Castex Ind. in '94. Overseas sales 30% of '03 total. 2003 depreciation rate: 6.7%. Has about 2,350 employees, 3,500 stockholders. Vanguard Fiduciary Trust owns 12.4% of common; AIM Fds., 10.0%; U.S. Bancorp., 8.2%; officers and directors, 4.5%; (3/04 Proxy). Pres. & CEO: Janet M. Dolan. Inc.: MN. Addr.: 701 North Lilac Drive, Minneapolis, MN 55440. Tel.: 763-540-1200. Internet: tennantco.com.

We have reduced substantially our 2004 earnings call for Tennant. Share net in the third quarter was well below our expectations, as the bottom line was hit hard by weak volumes early in the term. Coupled with this problem, costs soared, particularly steel and petroleum-related expenses. Marketing expenditures for new product launches hurt, too. Moreover, the subpar showing excludes a $1.9 million aftertax charge, or $0.20 a share, related to workforce reductions. These cuts will eliminate 65 management and administrative positions and produce savings of between $2 million and $3 million before taxes in 2005, escalating to the $4 million-$5 million range the following year. All told, we look for a bottom line of $1.60 this year, a 7% increase from 2003's level.

Overseas business should increase in 2005. One of the company's main competitors in Europe, Alto, has entered Chapter 11 proceedings. Many customers will now be looking for a new supplier. We envision a scenario where TNC snatches up much of this clientele. Also, the timing of this situation is favorable, as we anticipate that spending on industrial and commercial cleaning should rise abroad, in response to the nascent uptick in the domestic market. On that note, Asia, the Middle East, and Australia may well act in a similar fashion. On balance, our call for share net next year is $2.00, a 25% advance from our expected tally in 2004.

Diversifying away from hard surface maintenance is vital to the company's growth plan. With the springtime release of an upright vacuum line, TNC now sells an array of carpet care equipment. Furthermore, its products are easier to use and priced at affordable levels. This will likely help the company gain footing in the commercial housekeeping field.

Good-quality Tennant shares are a worthwhile investment from a total-return standpoint. Although this equity's capital appreciation potential out to 2007-2009 is only in line with that of the *Value Line* median, its dividend—recently raised to $0.88 on an annualized basis—should grow at a steady clip over that span. Still, our current view calls for these shares to lag the overall market in the year ahead.

Erik M. Manning *October 29, 2004*

(A) Primary egs. through 1996, then diluted. Excl. nonrec. gain/(loss): '89, $0.12; '90, $0.47; '92, ($0.40); '93, ($0.25); '99, ($0.47); '00, ($0.36); '01, ($0.39); '02, ($0.43); '03, 6¢; '04 3Q, ($0.20). Next egs. report due late January.
(B) Dividends are historically paid in mid-March, June, September, and December. ■ Dividend reinvestment plan available.
(C) In millions, adj. for stock split.
(D) Includes ESOP receivable after '89; 12/31/03 balance: $5.4 million, $0.60/share.

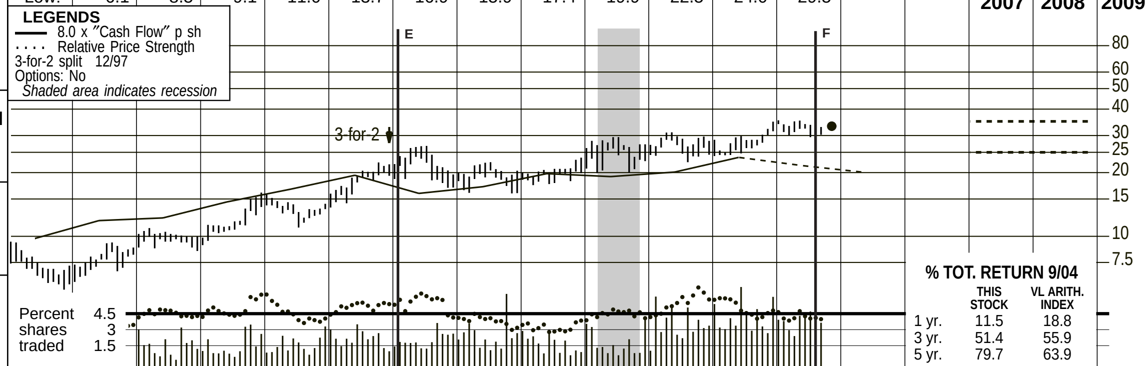
Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	85
Earnings Predictability	45

THOMAS INDS. NYSE-TII

RECENT PRICE	P/E RATIO	(Trailing / Median)	RELATIVE P/E RATIO	DIV'D YLD	
33.26	21.9	(Trailing: 15.0; Median: 14.0)	1.25	1.1%	VALUE LINE

TIMELINESS 5 Lowered 7/30/04
SAFETY 2 Raised 7/30/04
TECHNICAL 3 Raised 8/20/04
BETA .75 (1.00 = Market)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
High:	9.3	10.9	16.1	15.9	22.3	26.8	22.4	23.6	29.5	31.0	34.9	35.4
Low:	6.1	8.5	9.1	11.0	13.7	16.9	15.9	17.4	19.9	22.5	24.0	29.5



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+5%)	3%
Low	25	(-25%)	-5%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	0	0	0	0	0	1
Options	0	0	1	0	1	1	3	1	0
to Sell	0	0	0	0	0	1	3	0	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	62	53	59
to Sell	38	47	39
Hld's(000)	9200	12597	12501

% TOT. RETURN 9/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	11.5	18.8
3 yr.	51.4	55.9
5 yr.	79.7	63.9

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
22.76	28.45	30.74	27.20	28.02	29.86	30.19	32.32	32.22	34.52	11.15	11.19	12.55	12.10	14.05	21.80	*23.15*	*24.15*	Sales per sh	*27.80*
1.55	1.69	1.82	1.32	1.22	1.48	1.53	1.82	2.09	2.43	1.99	2.15	2.47	2.40	2.52	2.96	*2.70*	*2.50*	"Cash Flow" per sh	*3.35*
.92	.94	.77	.25	.13	.39	.50	.83	1.09	1.38	1.50	1.62	1.86	1.80	2.00	2.04	*1.80*	*1.45*	Earnings per sh A	*2.15*
.44	.49	.51	.51	.33	.27	.27	.27	.27	.27	.30	.30	.30	.34	.34	.37	*.38*	*.40*	Div'ds Decl'd per sh B■	*.50*
.95	1.01	1.14	.78	.88	.92	1.08	.81	.95	1.12	.44	.50	.72	.56	.49	1.16	*1.20*	*1.00*	Cap'l Spending per sh	*1.35*
8.17	9.06	9.43	9.23	8.63	8.30	8.85	9.43	9.96	10.93	12.00	13.29	14.44	15.61	18.36	22.18	*28.00*	*29.00*	Book Value per sh C	*33.35*
15.27	15.35	15.02	15.01	15.02	15.07	15.12	15.18	15.83	15.87	15.89	15.76	15.05	15.23	17.13	17.29	*17.50*	*17.60*	Common Shs Outst'g D	*18.00*
14.6	13.7	13.3	32.1	53.2	20.2	19.6	14.1	12.4	13.4	14.6	11.9	10.6	14.0	13.5	13.6	*Bold figures are*		Avg Ann'l P/E Ratio	*13.5*
1.21	1.04	.99	2.05	3.23	1.19	1.29	.94	.78	.77	.76	.68	.69	.72	.74	.78	*Value Line*		Relative P/E Ratio	*.90*
3.3%	3.8%	5.0%	6.2%	4.6%	3.4%	2.7%	2.3%	2.0%	1.5%	1.4%	1.6%	1.5%	1.4%	1.3%	1.3%	*estimates*		Avg Ann'l Div'd Yield	*1.5%*
						456.6	490.6	510.1	547.7	177.2	176.4	188.8	184.4	240.6	376.8	*405*	*425*	Sales ($mill)	*500*
						8.5%	9.1%	9.8%	10.5%	17.6%	16.9%	16.9%	16.7%	15.0%	11.5%	*12.0%*	*13.0%*	Operating Margin	*15.0%*
						15.5	14.8	15.7	16.0	7.2	7.7	7.9	8.4	10.5	15.2	*17.0*	*18.0*	Depreciation ($mill)	*21.0*
						7.5	12.8	17.4	22.5	24.5	26.2	29.3	28.2	32.7	35.9	*32.0*	*26.0*	Net Profit ($mill)	*40.0*
						46.2%	39.3%	37.1%	37.0%	37.8%	38.0%	38.3%	37.5%	36.1%	32.7%	*36.5%*	*38.0%*	Income Tax Rate	*38.0%*
						1.7%	2.6%	3.4%	4.1%	13.8%	14.8%	15.5%	15.3%	13.6%	9.5%	*7.9%*	*6.1%*	Net Profit Margin	*7.8%*
						77.6	80.8	85.9	92.2	29.8	29.7	30.6	46.0	82.0	95.6	*300*	*320*	Working Cap'l ($mill)	*400*
						79.7	70.8	62.6	55.0	48.3	40.5	40.7	24.9	104.0	102.7	*Nil*	*Nil*	Long-Term Debt ($mill)	*Nil*
						133.8	143.2	157.7	173.4	190.7	209.5	217.4	237.7	314.4	383.4	*490*	*510*	Shr. Equity ($mill)	*600*
						5.6%	7.7%	9.4%	11.2%	11.5%	11.4%	12.0%	11.3%	8.2%	7.8%	*6.5%*	*5.0%*	Return on Total Cap'l	*6.5%*
						5.6%	8.9%	11.0%	13.0%	12.9%	12.5%	13.5%	11.9%	10.4%	9.4%	*6.5%*	*5.0%*	Return on Shr. Equity	*6.5%*
						2.6%	6.1%	8.4%	10.5%	10.4%	10.2%	11.3%	9.7%	8.7%	7.8%	*5.0%*	*3.5%*	Retained to Com Eq	*5.0%*
						53%	32%	24%	19%	19%	18%	16%	18%	16%	17%	*23%*	*26%*	All Div'ds to Net Prof	*17%*

CAPITAL STRUCTURE as of 6/30/04
Total Debt $113.6 mill. **Due in 5 Yrs** $105.0 mill.
LT Debt $103.8 mill. **LT Interest** $3.5 mill.
(Total interest coverage: 14.6x) (21% of Cap'l)

Leases, Uncapitalized Annual rentals $5.6 mill.

Pension Assets-12/03 $8.2 bill.
Oblig. $19.0 bill.

Preferred Stock None
Common Stock 17,459,904 shares
as of 7/28/04
Market Cap: $575 million (Small Cap)

CURRENT POSITION ($MILL.)	2002	2003	6/30/04
Cash Assets	18.9	23.9	37.4
Receivables	50.1	52.8	59.5
Inventory (FIFO)	52.8	65.9	70.0
Other	9.7	13.0	12.6
Current Assets	131.5	155.6	179.5
Accts Payable	15.5	14.3	15.4
Debt Due	9.4	9.9	9.8
Other	24.5	35.8	44.0
Current Liab.	49.4	60.0	69.2

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Sales	-5.5%	-9.0%	9.5%
"Cash Flow"	7.0%	4.0%	4.0%
Earnings	22.5%	8.0%	1.5%
Dividends	-0.5%	4.5%	6.0%
Book Value	8.0%	11.5%	10.0%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	49.7	46.9	44.0	43.8	184.4
2002	46.1	49.9	59.2	85.4	240.6
2003	92.4	95.8	89.0	99.6	376.8
2004	109.5	102.7	*92.8*	*100.0*	*405*
2005	*115.0*	*110.0*	*95.0*	*105.0*	*425*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.46	.47	.42	.45	1.80
2002	.47	.54	.49	.49	2.00
2003	.50	.54	.52	.48	2.04
2004	.63	.59	*.33*	*.25*	*1.80*
2005	*.35*	*.40*	*.35*	*.35*	*1.45*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.075	.075	.075	.075	.30
2001	.085	.085	.085	.085	.34
2002	.085	.085	.085	.085	.34
2003	.085	.085	.095	.095	.36
2004	.095	.095	.095	.095	

BUSINESS: Thomas Industries, Inc. is a leading manufacturer of compressors and vacuum pumps, as well as automotive component castings. Thomas sold its 32% ownership stake in Genlyte Thomas Group, a lighting manufacturer, on July 31, 2004. Has operations in North America, Europe, and Asia. Acquired Welch Vacuum Tech., 3/96 and Werner Rietschle, 8/02. 2003 depreciation rate: 8.2%. Has about 2,240 employees, 1,795 shareholders. Officers and directors own 16.5% of common shares; Gabelli Group, 19.7%; Werner Rieschle Holding, 10.4%; T. Rowe Price, 8.6% (3/04 Proxy). Chairman, President & CEO: Timothy C. Brown. Incorporated: DE. Address: 4360 Brownsboro Road Louisville, KY 40207. Telephone: 502-893-4600. Internet: www.thomasind.com.

Thomas Industries completed the sale of its 32% interest in Genlyte Thomas Group, LLC. Effective July 31st, the company received about $400 million in cash for its stake in the lighting joint venture. After payment of transaction expenses and taxes, the proceeds were approximately $317 million, or $18.00 a share. The one-time, aftertax gain on the sale is likely to be close to $80 million, or $4.60 a share. As previously reported, Thomas plans to pay off its long-term debt and actively pursue several growth initiatives, both internal and external. Although it appears that acquiring complementary businesses will be the company's top priority, it has stated that repurchases and/or a substantial one-time dividend are both possible.

We estimate that earnings will decline in both 2004 and 2005 (excluding nonrecurring losses associated with a plant shutdown in Germany). Because of the sale of its share in Genlyte Thomas Group, Thomas will forfeit about $0.60 a share in earnings this year and close to $1.25 a share in 2005. There is also concern over rising commodity prices, mainly steel, copper, aluminum, and energy, which would elevate the company's component costs. Thomas' pump and compressor group has shown little organic growth since its previous surge in the first quarter of this year, although margins have been widening slightly due to price hikes and increased productivity.

Our estimates exclude the effects of acquisitions and repurchases, which may increase the company's long-term appreciation potential. Thomas has already signed a letter of intent to purchase Ruey Chaang Electric, based in Taiwan. Ruey Chaang manufactures high-quality, low-cost, side-channel blowers and had sales in excess of $7 million in 2003. Details of the proposed transaction were limited at the time we went to press.

This equity carries our Lowest rank (5) for Timeliness. Furthermore, it offers well below-average 3- to 5-year appreciation potential, since it currently trades within our Target Price Range. However, our projections may prove to be conservative, since our estimates don't account for possible acquisitions, for which finances are more than ample.

Erik Antonson *October 29, 2004*

(A) Dil. shs., prim. prior to '97. Excl. gains from disc. ops.: '88, 24¢; '89, 51¢. Excl. nonrecur. gains (losses): '88, 5¢; '89, 7¢; '92, (27¢); '93, (13¢); '94, 29¢; '00, 5¢; '03, 8¢; '04, (7¢). Q'tly fig. may not sum due to rounding of shs. outstanding. Next egs. rpt. due early Nov. **(B)** Div'd. hist. paid in early Jan., Apr., Jul., and Oct. Plus stock of 5% in '88, '89. ■ Div'd reinvest. plan. avail. **(C)** Incl. intang. In '03: $75.0 mill. or $4.70/sh. **(D)** In mill., adj. for stock div'd. and split. **(E)** Light. bus. acct'd for with equity method (1/98) **(F)** Light. bus. sold (7/04).

Company's Financial Strength	B++
Stock's Price Stability	85
Price Growth Persistence	95
Earnings Predictability	100

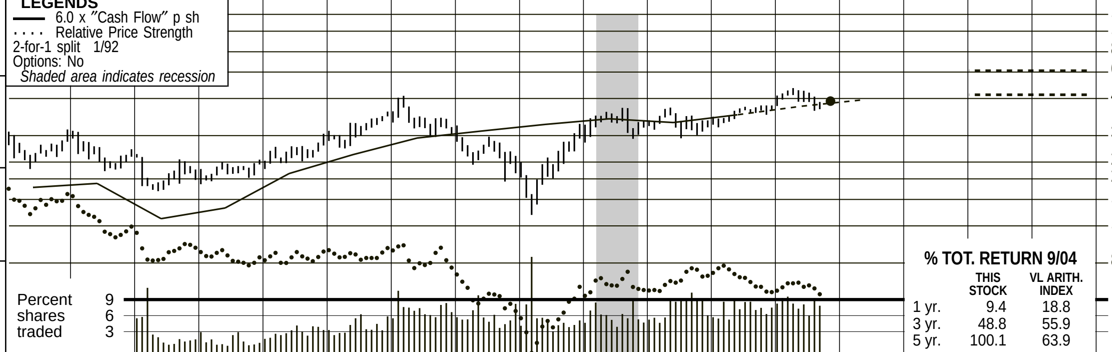
UNIVERSAL CORP. NYSE-UVV

RECENT PRICE	46.58	P/E RATIO	9.8 (Trailing: 9.8 Median: 9.5)	RELATIVE P/E RATIO	0.54	DIV'D YLD	3.3%	VALUE LINE

TIMELINESS 4 Lowered 11/7/03
SAFETY 2 Raised 11/7/03
TECHNICAL 3 Lowered 7/30/04
BETA .70 (1.00 = Market)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
High:	33.8	26.3	24.6	32.8	41.7	49.5	35.8	36.4	43.4	43.5	44.5	53.7
Low:	21.8	17.5	18.9	22.3	27.9	31.5	19.4	13.5	29.8	31.2	35.1	42.0

LEGENDS
— 6.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 1/92
Options: No
Shaded area indicates recession



Target Price Range
2007 | 2008 | 2009

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+40%)	*11%*
Low	50	(+5%)	*5%*

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	0	0	0	0	0	0
Options	6	0	7	1	0	0	7	0	0
to Sell	1	0	0	0	0	0	1	0	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	87	75	66
to Sell	52	65	66
Hld's(000)	20457	21903	22036

% TOT. RETURN 9/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	9.4	18.8
3 yr.	48.8	55.9
5 yr.	100.1	63.9

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
71.16	86.24	85.62	88.37	90.95	85.52	85.00	93.66	101.84	117.04	122.96	124.80	120.87	111.00	95.33	105.81	***121.00***	***129.15***	**Revenues per sh** A	***165.25***
2.44	2.35	1.95	2.51	3.04	3.17	2.16	2.43	3.53	4.34	5.20	5.61	6.04	6.42	6.16	6.69	***7.35***	***7.90***	**"Cash Flow" per sh**	***10.35***
1.78	1.60	1.11	1.72	2.15	2.39	1.09	1.04	2.04	2.88	3.68	3.80	3.91	4.29	4.01	4.45	***4.75***	***5.05***	**Earnings per sh** A B	***6.15***
.63	.69	.73	.76	.79	.86	.94	.99	1.01	1.05	1.10	1.18	1.23	1.27	1.34	1.44	***1.56***	***1.60***	**Div'ds Decl'd per sh** C■	***1.72***
1.42	1.11	.97	1.36	1.43	1.05	.68	1.11	1.01	1.67	2.77	2.16	2.16	2.25	4.22	4.63	***2.40***	***2.50***	**Cap'l Spending per sh**	***2.80***
10.52	11.41	12.08	7.77	9.18	11.73	10.78	11.13	11.90	13.36	15.71	16.80	17.69	20.31	22.42	24.89	***28.80***	***32.50***	**Book Value per sh**	***40.45***
33.93	33.86	32.88	32.78	32.86	35.63	35.00	35.03	35.06	35.14	34.87	32.09	28.15	27.18	26.23	24.92	***25.00***	***24.00***	**Common Shs Outst'g** D	***21.00***
8.7	10.3	15.3	7.9	12.1	11.9	20.5	20.4	11.7	10.3	10.6	8.3	5.9	7.5	9.5	8.4	*Bold figures are Value Line estimates*		**Avg Ann'l P/E Ratio**	***9.5***
.72	.78	1.14	.50	.73	.70	1.34	1.37	.73	.59	.55	.47	.38	.38	.52	.48			**Relative P/E Ratio**	***.65***
4.0%	4.2%	4.3%	5.6%	3.0%	3.0%	4.2%	4.7%	4.2%	3.5%	2.8%	3.7%	5.3%	3.9%	3.5%	3.8%			**Avg Ann'l Div'd Yield**	***3.3%***

CAPITAL STRUCTURE as of 6/30/04
Total Debt $1211.1 mill. **Due in 5 Yrs** $715.0 mill.
LT Debt $769.3 mill. **LT Interest** $43.0 mill.
(LT interest earned: 5.8x; total interest coverage: 5.0x) (45% of Cap'l)

Leases, Uncapitalized None
Pension Assets-6/03 $213.7 mill.
Oblig. $307.7 mill.
Pfd Stock None

Common Stock 25,532,406 shares

MARKET CAP: $1.2 billion (Mid Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
2975.1	3280.9	3570.2	4112.7	4287.2	4004.9	3402.0	3017.6	2500.1	2636.8	***3025***	***3100***	**Revenues ($mill)** A	***3470***
5.3%	5.8%	6.9%	7.0%	7.7%	7.7%	8.7%	10.1%	10.2%	10.1%	***10.3%***	***10.3%***	**Operating Margin**	***10.5%***
37.1	48.6	52.5	51.6	51.1	52.8	52.0	56.4	55.0	53.5	***66.0***	***68.0***	**Depreciation ($mill)**	***72.0***
38.6	36.3	71.4	100.9	130.3	127.3	118.0	118.2	106.7	113.3	***118***	***122***	**Net Profit ($mill)**	***145***
26.9%	41.7%	40.0%	40.0%	39.8%	35.9%	37.4%	35.5%	35.0%	30.7%	***36.0%***	***36.0%***	**Income Tax Rate**	***36.0%***
1.3%	1.1%	2.0%	2.5%	3.0%	3.2%	3.5%	3.9%	4.3%	4.3%	***3.9%***	***3.9%***	**Net Profit Margin**	***4.2%***
318.0	264.8	299.8	347.5	328.8	271.8	205.0	550.9	431.6	550.7	***450***	***500***	**Working Cap'l ($mill)**	***575***
298.1	284.9	309.5	291.6	263.1	221.5	223.3	515.3	435.6	615.0	***490***	***460***	**Long-Term Debt ($mill)**	***385***
377.5	390.0	417.3	469.6	547.9	539.0	497.8	552.1	588.0	620.3	***720***	***780***	**Shr. Equity ($mill)**	***850***
7.5%	7.0%	11.8%	14.9%	17.6%	18.0%	18.3%	12.9%	12.3%	10.7%	***11.0%***	***11.0%***	**Return on Total Cap'l**	***13.0%***
10.2%	9.3%	17.1%	21.5%	23.8%	23.6%	23.7%	21.4%	18.1%	18.3%	***16.5%***	***15.5%***	**Return on Shr. Equity**	***17.0%***
1.5%	.5%	8.6%	13.6%	16.8%	16.4%	16.3%	15.2%	12.2%	12.5%	***11.0%***	***11.0%***	**Retained to Com Eq**	***13.0%***
85%	94%	50%	37%	29%	31%	31%	29%	33%	32%	***31%***	***31%***	**All Div'ds to Net Prof**	***25%***

CURRENT POSITION ($MILL.)	**2002**	**2003**	**6/30/04**
Cash Assets	58.0	44.7	52.7
Receivables	306.8	370.8	430.7
Inventory (Avg Cst)	650.0	783.2	1117.4
Other	90.2	176.3	194.9
Current Assets	1105.0	1375.0	1795.7
Accts Payable	298.9	363.1	320.9
Debt Due	251.2	366.1	451.8
Other	123.3	95.1	239.9
Current Liab.	673.4	824.3	1012.6

ANNUAL RATES of change (per sh)	**Past 10 Yrs.**	**Past 5 Yrs.**	**Est'd '01-'03 to '07-'09**
Revenues	1.5%	-2.0%	*5.0%*
"Cash Flow"	8.5%	8.0%	*6.5%*
Earnings	7.5%	8.0%	*4.0%*
Dividends	5.5%	5.0%	*4.0%*
Book Value	9.0%	10.5%	*9.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Sep.30	Dec.31	Mar.31	Jun.30	Full Fiscal Year
2003	657.3	708.6	593.8	677.1	2636.8
	Jun.30	Sep.30	Dec.31	Mar.31	
E		786.6	801.0	683.5	
2004	737.1	***850***	***730***	***707.9***	***3025***
2005	***755***	***870***	***750***	***725***	***3100***

Fiscal Year Ends	EARNINGS PER SHARE A B Sep.30	Dec.31	Mar.31	Jun.30	Full Fiscal Year
2003	1.43	1.04	.98	.98	4.45
	Jun.30	Sep.30	Dec.31	Mar.31	
E		1.37	1.48	1.09	
2004	.80	***1.45***	***1.25***	***1.25***	***4.75***
2005	***.88***	***1.53***	***1.33***	***1.31***	***5.05***

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.31	.31	.31	.31	1.24
2001	.32	.32	.32	.32	1.28
2002	.34	.34	.34	.34	1.36
2003	.36	.36	.36	.36	1.44
2004	.39	.39	.39		

BUSINESS: Universal Corp. (formerly Universal Leaf Tobacco) is the largest leaf tobacco exporter/importer in the world. Engaged in the purchasing, processing, and selling of tobacco to cigarette, pipe tobacco, and cigar manufacturers. Tobacco sales consist primarily of flue-cured and burley tobaccos. Also distributes lumber and building supplies in Europe and buys and sells commodity products. 2003 revenues (op. inc.) by business segment: tobacco, 60% (84%); other, 40% (16%). Has about 26,500 employees; 2,455 shareholders. Off./dir. own 2.1% of stock; Dreman Mgmt., 11.5% (9/03 proxy). Chairman: Henry H. Harrell. President and CEO: Allen B. King. Inc.: VA. Address: 1501 North Hamilton St., Richmond, VA 23230. Telephone: 804-359-9311. Web: www.universalcorp.com.

Universal Corporation should bounce back from a relatively weak first quarter. Delays in African and South American leaf shipments accounted for most of a $107 million year-over-year decline in tobacco segment revenue during the June period. That said, the world's largest independent tobacco merchant should book the majority of this business over the next three quarters or so, as shipping capacity frees up and a major customer finally accepts receipt of goods. Results at the Jewe lumber unit may improve, meanwhile, as the Netherlands economy recovers from an economic recession. We should note that the June, 2004 quarter is most directly comparable to the September, 2003 quarter, due to some realignments of UVV's operating segments.

Universal likely posted earnings for the September quarter as we went to press. Reported results are expected to include a noncash charge of $15.1 million, reflecting a recent negative ruling from the European Union. More specifically, the E.U. fined two Universal subsidiaries (Deltafina & Tobacos Espanoles) and others for colluding to fix prices they paid Spanish tobacco growers. Deltafina only deals indirectly in the Spanish market for raw tobacco, but curiously received the stiffest fine as the cartel leader. We expect Universal to appeal the decision. We should also note that our earnings estimates exclude the charge.

Prospects out to 2007-2009 are decent. Universal supplies processed tobacco to a number of major cigarette makers, including Altria's Philip Morris unit. On a worldwide basis, cigarette consumption is increasing at less than 1% a year. We look for overall smoking trends to remain unremarkable over the longer term, especially given growing health concerns. Still, UVV should benefit from the increased popularity of American-blend ciagarettes, which contain the types of tobacco that it specializes in—flue-cured and burley.

These shares are ranked 4 (Below Average) for year-ahead price performance. Capital appreciation potential to 2007–2009 is also below the *Value Line* median. The stock does, however, sport an above-average dividend yield (3.3%). Income investors may want to take a look.

Nils C. Van Liew *November 5, 2004*

(A) Fscl. yr. ends June 30th through 93; thereafter March 31st. Starting in '95, figures reflect consolidation of foreign affil. **(B)** Prmy. egs. through 1996, dil. thereafter. Excl. n/r & disc. op. gains (losses): '01, (20¢); '00, 8¢; '98, 31¢; '96, 2¢; '95, (31¢); '94, (83¢); '91, (90¢); '90, 24¢. Excl. extra. loss: '91, 12¢. May not sum to total due to change in shs. outstding. Next egs. rprt. due early mid-Feb. **(C)** Dividends historically paid in mid-Feb., May, Aug., Nov. ■ Div'd. reinvestment plan avail. **(D)** In mill., adjusted for stock splt. **(E)** Reflects 9-mos stub period.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	65
Earnings Predictability	95

WEIS MARKETS NYSE-WMK

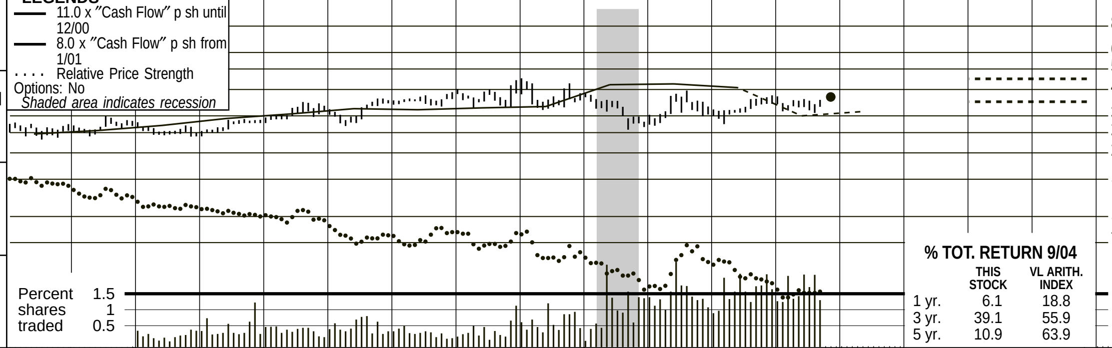
RECENT PRICE	36.86	P/E RATIO	17.9 (Trailing: 17.8 / Median: 17.0)	RELATIVE P/E RATIO	0.99	DIV'D YLD	3.1%	VALUE LINE

TIMELINESS 3 Raised 11/5/04
SAFETY 1 New 7/27/90
TECHNICAL 3 Lowered 10/29/04
BETA .70 (1.00 = Market)

High:	29.9	28.0	29.0	34.9	36.3	38.9	44.3	45.3	38.3	39.5	37.5	37.1
Low:	24.0	23.9	24.0	27.8	26.9	33.3	32.9	32.0	25.8	26.9	27.4	31.0

Target Price Range
2007 | 2008 | 2009

LEGENDS
— 11.0 x "Cash Flow" p sh until 12/00
— 8.0 x "Cash Flow" p sh from 1/01
.... Relative Price Strength
Options: No
Shaded area indicates recession



2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+20%)	8%
Low	35	(-5%)	2%

Insider Decisions

	D	J	F	M	A	M	J	J	A
to Buy	0	0	0	0	0	0	0	1	1
Options	0	1	0	0	0	0	0	0	3
to Sell	0	0	0	0	0	0	0	0	1

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	38	39	38
to Sell	27	25	32
Hld's(000)	5222	5434	5658

% TOT. RETURN 9/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	6.1	18.8
3 yr.	39.1	55.9
5 yr.	10.9	63.9

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
26.18	27.35	28.43	29.27	29.41	32.90	35.80	38.71	41.70	43.54	44.72	48.09	49.44	73.09	73.52	75.26	*77.80*	*80.55*	Sales per sh A	*90.75*
2.25	2.39	2.46	2.39	2.24	2.33	2.46	2.65	2.78	2.95	2.91	2.98	3.02	3.83	3.86	3.71	*3.75*	*3.95*	"Cash Flow" per sh	*4.80*
1.82	1.91	1.93	1.81	1.63	1.66	1.75	1.84	1.87	1.90	1.80	1.87	1.81	1.65	2.10	2.01	*2.05*	*2.15*	Earnings per sh B	*2.75*
.50	.56	.60	.64	.68	.70	.74	.80	.88	.94	.98	1.02	1.06	1.08	1.08	1.10	*1.12*	*1.14*	Div'ds Decl'd per sh C■	*1.25*
11.23	12.52	13.64	14.64	15.52	16.85	17.53	18.61	19.47	20.28	21.33	22.03	22.74	19.31	20.31	21.20	*22.05*	*23.10*	Book Value per sh D	*27.05*
45.42	45.31	44.73	44.22	43.83	43.80	43.48	42.53	42.04	41.77	41.76	41.69	41.69	27.20	27.19	27.14	*27.00*	*27.00*	Common Shs Outst'g E	*27.00*
16.5	16.5	15.0	16.4	15.8	16.1	14.5	14.6	16.6	16.7	19.8	19.8	20.1	19.6	15.4	16.3	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
1.37	1.25	1.11	1.05	.96	.95	.95	.98	1.04	.96	1.03	1.13	1.31	1.00	.84	.94	*Value Line*		Relative P/E Ratio	*1.00*
1.7%	1.8%	2.1%	2.1%	2.6%	2.6%	2.9%	3.0%	2.8%	3.0%	2.8%	2.8%	2.9%	3.3%	3.3%	3.3%	*estimates*		Avg Ann'l Div'd Yield	*3.1%*

CAPITAL STRUCTURE as of 3/27/04
Total Debt None

Leases, Uncapitalized Annual rentals $26.5 mill.

Pension Assets-12/03: None **Oblig.:** $5.8 mill.

Pfd Stock None

Common Stock 27,125,154 shs.

MARKET CAP: $1.0 billion (Mid Cap)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005		07-09
1556.7	1646.4	1753.2	1818.8	1867.5	2004.9	2061.0	1988.2	1999.4	2042.5	*2100*	*2175*	Sales ($mill) A	*2450*
27.3%	27.7%	28.0%	27.8%	27.7%	27.7%	28.8%	29.3%	28.8%	28.5%	*28.6%*	*28.6%*	Gross Margin	*29.0%*
7.1%	7.3%	7.3%	7.5%	6.6%	6.9%	6.7%	6.0%	6.4%	5.7%	*5.8%*	*5.8%*	Operating Margin	*6.5%*
149	151	155	154	158	163	163	163	160	158	*160*	*165*	Number of Stores F	*180*
76.2	79.4	78.9	79.6	75.4	77.8	75.2	53.3	57.3	54.6	*55.0*	*60.0*	Net Profit ($mill)	*75.0*
34.9%	34.8%	34.7%	34.1%	37.4%	35.5%	36.8%	38.8%	37.5%	38.1%	*38.0%*	*38.0%*	Income Tax Rate	*38.0%*
4.9%	4.8%	4.5%	4.4%	4.0%	3.9%	3.6%	2.7%	2.9%	2.7%	*2.6%*	*2.8%*	Net Profit Margin	*3.1%*
505.5	491.2	463.2	471.5	489.5	481.8	496.9	102.3	114.9	162.3	*175*	*175*	Working Cap'l ($mill)	*200*
- -	- -	- -	- -	- -	- -	- -	25.0	25.0	- -	*Nil*	*Nil*	Long-Term Debt ($mill)	*Nil*
762.4	791.6	818.5	847.3	890.6	918.5	947.9	525.4	552.4	575.4	*595*	*625*	Shr. Equity ($mill)	*730*
10.0%	10.0%	9.6%	9.4%	8.5%	8.5%	7.9%	9.7%	10.4%	9.5%	*9.0%*	*9.5%*	Return on Total Cap'l	*10.5%*
10.0%	10.0%	9.6%	9.4%	8.5%	8.5%	7.9%	10.1%	10.4%	9.5%	*9.0%*	*9.5%*	Return on Shr. Equity	*10.5%*
5.8%	5.7%	5.1%	4.8%	3.9%	3.8%	3.3%	3.1%	5.1%	4.3%	*4.0%*	*4.5%*	Retained to Com Eq	*5.5%*
42%	43%	47%	49%	54%	55%	59%	70%	51%	55%	*54%*	*53%*	All Div'ds to Net Prof	*46%*

CURRENT POSITION ($MILL.)

	2002	2003	3/27/04
Cash Assets	47.4	90.5	113.2
Receivables	30.2	34.1	31.1
Inventory (LIFO)	182.8	173.6	162.3
Other	4.0	8.8	9.8
Current Assets	264.4	307.0	316.4
Accts Payable	101.9	95.2	80.4
Other	47.6	49.5	60.3
Current Liab.	149.5	144.7	140.7

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Sales	9.5%	11.5%	3.5%
"Cash Flow"	5.0%	5.5%	4.0%
Earnings	1.0%	.5%	6.0%
Dividends	5.0%	3.0%	2.5%
Book Value	2.5%	- -	5.0%

Cal-endar	QUARTERLY SALES ($ mill.) A Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2001	489.1	492.4	498.8	507.9	1988.2
2002	504.4	491.9	495.9	507.2	1999.4
2003	509.1	508.0	504.7	520.7	2042.5
2004	520.7	521.4	518.6	*539.3*	*2100*
2005	*535*	*545*	*545*	*550*	*2175*

Cal-endar	EARNINGS PER SHARE AB Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2001	.41	.37	.43	.46	1.65
2002	.54	.50	.48	.58	2.10
2003	.58	.51	.40	.52	2.01
2004	.60	.50	.45	*.50*	*2.05*
2005	*.61*	*.52*	*.48*	*.54*	*2.15*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.26	.26	.27	.27	1.06
2001	.27	.27	.27	.27	1.08
2002	.27	.27	.27	.27	1.08
2003	.27	.27	.28	.28	1.10
2004	.28	.28	.28		

BUSINESS: Weis Markets, Inc. operates 158 retail food markets (at year end '03), including both superstores and conventional stores, located in PA (131 stores), MD (21), NJ (3), NY (1), VA (1), and WV (1). Owns about 50% of sites. Sells nat'l brand merchandise plus 2,000 items under its own trademarks. Owns SuperPetz, a 33-store (at yearend) pet supply chain with stores in OH (8), PA (7), SC (5), TN (4), AL (2), MI (2), 1 ea. in GA, IN, KY, MD & NC. Sold Weis Food Service, 4/00. '03 deprec. rate: 4.6%. Has about 6,000 shrhldrs., 18,600 emps. R.F. Weis owns 46.5% of stock; Ellen Wasserman, 11.4% (3/04 proxy). Chairman: Robert F. Weis. Pres.: Norman S. Rich. Inc.: PA. Address: 1000 South Second Street, Sunbury, PA 17801. Tel.: 570-286-4571. Internet: www.weis.com.

We are trimming our earnings estimates for Weis Markets. Third-quarter share net advanced 13%, to $0.45, the biggest year-over-year increase in some time. However, because the supermarket operator was facing a particularly easy comparison with the prior-year period, when results were dragged down by merchandising and advertising miscues, we had been anticipating even stronger earnings ($0.51 a share). In response, we have cut $0.10 from our share-net figures for both 2004 and 2005. Still . . .

The food retailer has fared better than many of its peers. For starters, few in the industry have been able to match the company's same-store sales comparisons of late, including 3% growth so far in 2004. And, while earnings have been stuck in neutral for the past two years, most grocery store chains have seen profits sink under the weight of sluggish consumer spending, increased competition from nontraditional formats, and difficulty passing along higher commodity and labor costs.

The company's narrow geographic focus, centered in Pennsylvania, appears to be working in its favor. Supercenters, including Wal-Mart, and other nontraditional formats, have been making inroads into the region. Weis, though, has limited exposure to the industry's largest supermarket operators, such as *Safeway* and *Kroger*, which have been sacrificing margins in recent years in order to defend market share. And, its largest rival, Giant, may be being distracted by its parent company's efforts to address difficulties in other businesses. Finally, Weis has been spared the costly labor strife experienced by some West Coast food retailers.

These shares are ranked to keep pace with the market over the next six to 12 months. Looking further out, capital-appreciation potential to late decade is subpar. The stock's most notable feature is probably its generous dividend yield, which stands about 150 basis points higher than the *Value Line* median. This, combined with the company's strong balance sheet and stable, albeit relatively stagnant, profit stream, will likely give this high-quality issue added appeal with conservative investors.

Robert M. Greene, CFA November 5, 2004

(A) Fiscal year ends on last Saturday in December. (B) Based on avg. shares outstanding through '96, diluted thereafter. '01 earnings do not add due to change in shares out. Excludes nonrecurring gains (losses): '92, 2¢; '97, (3¢); '98, 20¢; '00, 3¢; '01, (10¢); '02, 7¢. Next egs. report due late January. (C) Dividends historically paid in late Feb., May, Aug., and Nov. ■ Div'd reinvestment plan available. (D) Includes intangibles. At 12/27/03: $23.2 mill., 85¢/share. (E) In mill. (F) Grocery stores only.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	50
Earnings Predictability	90

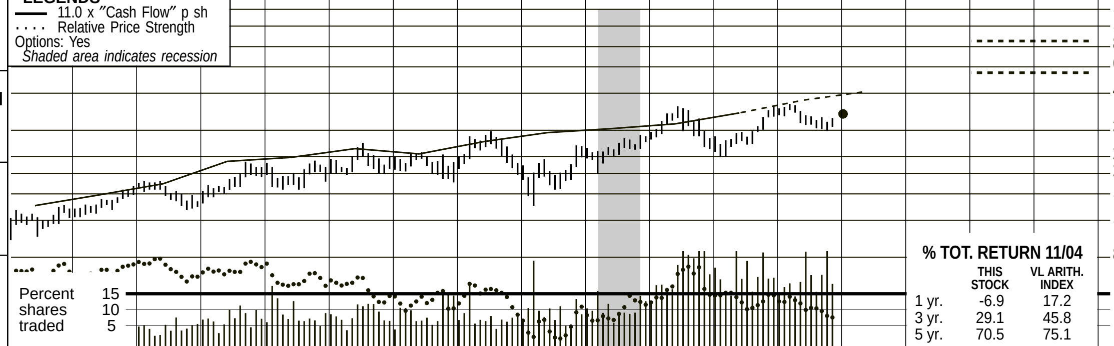
WENDY'S INT'L NYSE-WEN

RECENT PRICE **38.28** | P/E RATIO **17.3** (Trailing: 17.2; Median: 17.0) | RELATIVE P/E RATIO **0.91** | DIV'D YLD **1.3%** | **VALUE LINE**

TIMELINESS 4 Lowered 10/1/04
SAFETY 2 Raised 3/17/00
TECHNICAL 3 Raised 10/29/04
BETA .75 (1.00 = Market)

High:	17.4	18.4	22.8	23.0	27.9	25.2	31.7	27.1	30.5	41.6	41.6	42.8
Low:	12.4	13.4	14.4	16.8	19.6	18.1	19.7	14.0	20.0	26.2	24.0	31.7

LEGENDS
— 11.0 x "Cash Flow" p sh
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



Target Price Range 2007 | 2008 | 2009

2007-09 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	85	(+120%)	23%
Low	60	(+55%)	13%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	1	0	0	0	0	1	1	0
Options	0	5	0	3	2	0	0	1	0
to Sell	0	5	0	2	1	0	0	1	0

Institutional Decisions

	4Q2003	1Q2004	2Q2004
to Buy	141	170	187
to Sell	145	129	121
Hld's(000)	83251	82362	83360

Percent shares traded 15 10 5

% TOT. RETURN 11/04

	THIS STOCK	VL ARITH. INDEX
1 yr.	-6.9	17.2
3 yr.	29.1	45.8
5 yr.	70.5	75.1

1988	1989	1990	1991	1992	1993	1994	1995F	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
11.04	11.09	10.44	10.89	12.53	13.10	13.74	16.81	16.79	17.59	17.95	20.16	21.98	22.74	23.81	27.45	**31.55**	**34.70**	Revenues per sh A	**48.00**
.87	.83	.97	1.11	1.28	1.44	1.62	2.07	2.17	2.38	2.25	2.57	2.84	2.97	3.12	3.52	**3.80**	**4.35**	"Cash Flow" per sh	**6.55**
.30	.25	.40	.52	.63	.76	.91	1.12	1.19	1.33	1.13	1.32	1.53	1.65	1.89	2.05	**2.13**	**2.60**	Earnings per sh B	**4.00**
.24	.24	.24	.24	.24	.24	.24	.24	.24	.24	.24	.24	.24	.24	.24	.24	**.48**	**.50**	Div'ds Decl'd per sh C■	**.64**
.58	.40	.43	.71	1.21	1.16	1.39	2.09	2.72	2.54	2.22	2.41	2.71	2.86	2.88	2.98	**3.20**	**3.35**	Cap'l Spending per sh	**4.00**
4.36	4.45	4.61	4.91	5.35	5.96	6.70	7.88	9.35	10.23	9.84	10.37	11.06	9.79	12.63	15.33	**15.50**	**17.35**	Book Value per sh D	**25.10**
96.26	96.48	96.82	97.38	98.83	100.79	101.76	103.86	113.02	115.82	108.56	102.78	101.78	105.18	114.69	114.70	**114.00**	**113.00**	Common Shs Outst'g E	**110.00**
20.7	23.1	13.9	17.3	19.4	19.1	17.8	16.3	16.5	17.1	19.6	19.7	13.1	15.7	17.8	15.1	*Bold figures are*		Avg Ann'l P/E Ratio	**18.0**
1.72	1.75	1.03	1.11	1.18	1.13	1.17	1.09	1.03	.99	1.02	1.12	.85	.80	.97	.88	*Value Line*		Relative P/E Ratio	**1.20**
3.9%	4.2%	4.3%	2.7%	2.0%	1.7%	1.5%	1.3%	1.2%	1.1%	1.1%	.9%	1.2%	.9%	.7%	.8%	*estimates*		Avg Ann'l Div'd Yield	**1.1%**
						1397.9	1746.3	1897.1	2037.3	1948.2	2072.2	2236.9	2391.2	2730.3	3148.9	**3600**	**3920**	Revenues ($mill) A	**5280**
						16.3%	17.6%	18.4%	19.6%	17.5%	18.5%	18.7%	18.7%	19.3%	18.7%	**17.8%**	**18.0%**	Operating Margin	**19.5%**
						68.1	80.6	89.0	95.6	95.4	97.9	108.3	118.3	139.1	167.8	**185**	**195**	Depreciation ($mill)	**265**
						97.2	134.6	155.9	180.5	148.4	166.6	181.0	193.6	218.8	236.0	**246**	**395**	Net Profit ($mill)	**460**
						35.0%	37.4%	38.8%	38.2%	38.6%	38.0%	37.5%	37.0%	36.8%	37.5%	**36.5%**	**36.5%**	Income Tax Rate	**36.5%**
						7.0%	7.7%	8.2%	8.9%	7.6%	8.0%	8.1%	8.1%	8.0%	7.5%	**6.8%**	**7.5%**	Net Profit Margin	**8.7%**
						d4.0	25.4	129.2	169.0	64.3	65.6	22.7	d30.3	d29.3	d65.8	**d70.0**	**d50.0**	Working Cap'l ($mill)	**130**
						144.9	337.2	241.8	249.8	246.0	249.0	248.4	451.2	681.7	692.6	**690**	**700**	Long-Term Debt ($mill)	**620**
						681.5	818.8	1056.8	1184.2	1068.1	1065.4	1126.1	1029.8	1448.6	1758.6	**1765**	**1960**	Shr. Equity ($mill)	**3760**
						12.4%	12.3%	12.6%	13.2%	11.8%	12.9%	13.7%	13.8%	11.2%	10.6%	**11.0%**	**12.0%**	Return on Total Cap'l	**14.0%**
						14.3%	16.4%	14.8%	15.2%	13.9%	15.6%	16.1%	18.8%	15.1%	13.4%	**14.0%**	**15.0%**	Return on Shr. Equity	**16.5%**
						10.7%	13.4%	11.9%	12.6%	11.0%	12.9%	13.6%	16.2%	13.2%	11.9%	**11.0%**	**12.0%**	Retained to Com Eq	**14.0%**
						25%	18%	20%	18%	21%	18%	15%	14%	12%	12%	**22%**	**19%**	All Div'ds to Net Prof	**14%**

CAPITAL STRUCTURE as of 9/26/04
Total Debt $701.9 mill. **Due in 5 Yrs** $112.9 mill.
LT Debt $691.1 mill. **LT Interest** $45.0 mill.
(Includes $68.4 mill. capitalized leases.)
(28% of Cap'l)
Leases, Uncapitalized Annual rentals $107.5 mill.
No Defined Benefit Pension Plan

Common Stock 113,978,000 shs.

MARKET CAP: $4.4 billion (Mid Cap)

CURRENT POSITION ($MILL.)	2002	2003	9/26/04
Cash Assets	171.9	171.2	204.7
Receivables	86.4	109.9	107.1
Inventory (FIFO)	47.4	54.4	50.9
Other	25.1	127.2	99.8
Current Assets	330.8	462.7	462.5
Accts Payable	134.2	160.0	148.4
Debt Due	4.8	50.9	10.8
Other	221.1	317.6	349.4
Current Liab.	360.1	528.5	508.6

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
Revenues	7.5%	7.0%	11.5%
"Cash Flow"	9.5%	7.0%	12.5%
Earnings	11.5%	9.0%	13.0%
Dividends	- -	- -	18.0%
Book Value	9.0%	5.0%	13.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) A Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2001	555.5	609.6	610.4	615.7	2391.2
2002	612.4	684.0	722.1	711.8	2730.3
2003	694.0	786.0	806.5	862.4	3148.9
2004	834.8	908.9	914.0	*942.3*	*3600*
2005	*910*	*990*	*1005*	*1015*	*3920*

Cal-endar	EARNINGS PER SHARE A B Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2001	.33	.47	.44	.41	1.65
2002	.39	.54	.52	.44	1.89
2003	.38	.53	.58	.56	2.05
2004	.45	.62	.60	*.46*	*2.13*
2005	*.50*	*.65*	*.72*	*.73*	*2.60*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2000	.06	.06	.06	.06	.24
2001	.06	.06	.06	.06	.24
2002	.06	.06	.06	.06	.24
2003	.06	.06	.06	.06	.24
2004	.12	.12	.12	.12	.48

BUSINESS: Wendy's Int'l., Inc. licenses & operates the nation's third-largest chain of quick-service hamburger restaurants. At 12/28/03, had 6,481 systemwide Wendy's units. Also has 2,527 Tim Hortons units which serve coffee, donuts, bagels & sandwiches and 283 Baja Fresh units. Outlets serve prepared-to-order burgers, chicken sandwiches, salads & side dishes. Sold Sisters Chickens & Biscuits, 3/87. Acq'd Cafe Express, 3/02; Acq'd Baja Fresh, 6/02. 2003 deprec. rate: 5.5%. Has about 48,000 empls. Officers & directors own 1.9% of common; Barrow, Hanley, Mewhinney & Strauss, 5.7% (3/04 proxy). Chrmn., Pres. & CEO: John T. Schuessler. Inc.: OH. Address: 4288 W. Dublin-Granville Road, Dublin, OH 43017. Telephone: 614-764-3100. Internet: www.wendys.com.

Wendy's earnings flattened out in the second half of 2004. After a strong first six months, the company posted small gains in the third quarter and actually dropped sequentially in earnings as a result of rising beef prices and poor weather conditions, which tempered customer traffic. These setbacks were modestly offset by strong growth in the *Tim Hortons* business.

The outlook going forward is not particularly encouraging. Wendy's ditched its "unofficial spokesperson" ad campaign after losing some market share to Burger King and McDonald's in recent months. Comparable store sales have been the telling story for *Wendy's* restaurants, which have been declining at a rate of 5%–6% in the fourth quarter.

The company will write down goodwill related to its *Baja Fresh* restaurant chain. This will result in a $175 million–$190 million ($1.55–$1.70 a share) nonrecurring charge in the fourth quarter, which we will exclude from our estimates. On top of this, the company will close 15–18 *Baja Fresh* restaurants during the quarter, resulting in a $17 million–$20 million charge that will be included. The restaurants have been subject to declining same-store sales and increasing commodity prices recently, and the segment has yet to contribute to earnings since its acquisition in 2002.

Wendy's major growth potential lies in its *Tim Hortons* restaurants. The Canadian-based fast food chain has been surpassing all its other businesses, with comparable store growth in the high single digits this year and overall sales growth exceeding 20%. Even more, *Tim Hortons* operates at twice the efficiency of *Wendy's* restaurants, producing almost 50% of the total operating income with less than half the amount of restaurants.

We forecast that growth will pick up in 2005. The current challenges Wendy's is facing will likely prove to be short lived. Management's longer term growth target is in the 11%–13% range. However, by fast forwarding the success at *Tim Hortons*, WEN would actually exceed that. Although untimely, these shares are a good selection for 3- to 5-year appreciation potential.

Garrett Sussman *December 10, 2004*

(A) Fiscal year ends Sunday nearest to Dec. 31st. **(B)** Based on dil. shs. Next egs. rpt. due late Jan.; Excl. n/r gains/losses: '89, 7¢; '90, 1¢; '95, (24¢); '97, (36¢); '98, (20¢); '00, (9¢). **(C)** Dividends historically paid in March, May, August, and November. ■ Div'd reinvest. plan avail. **(D)** Incl. intangibles. In '03: $365.5 mill., $3.19/sh. **(E)** In millions. **(F)** '95 revs. restated to reflect Tim Hortons.

Company's Financial Strength	A
Stock's Price Stability	80
Price Growth Persistence	50
Earnings Predictability	95

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-25 Refer to Exh. BSG/PRM-1, at 24. Aside from the Pennsylvania Public Utility Commission, have any regulatory agencies in the United States acknowledged and approved adjustments to DCF results? If so, please provide the Department with a sample of these approvals from the last 7 years, and related documentation.

Response: In addition to the decisions of the Pennsylvania PUC, the Connecticut Department of Public Utility Control considered their adjustment in its Decision dated January 21, 1998 in Docket No. 97-07-14, where it adopted 5/8ths of the proposed leverage adjustment.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 16, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-26 Refer to Exh. BSG/PRM-1, at 36 and Exh. BSG/PRM-1, Appendix E, at 14. Please provide all workpapers and explain any analyses performed to arrive at the 9.57% market determined cost equity.

Response: The 9.57% market determined cost of equity is the sum of the dividend yield of 3.82% for the Gas Group and the investor expected growth rate of 5.75% for the Gas Group. The simple sum of these components is 9.57% (3.82% + 5.75%) and provides a return that is applicable strictly to the market price of the stocks of the Gas Group (i.e., their market capitalization). To make that return relevant to a book value capitalization, the financial risk adjustment is required as shown on the spreadsheet that is attached as Attachment DTE-13-26.

Bay State Gas Company
Gas Group
Year End 2003

	AGL Resources	New Jersey Resources	Piedmont Natural Gas	South Jersey Industries	WGL Holdings	Average
Fiscal Year	12/31/03	09/30/03	10/31/03	12/31/03	12/31/03	
ization at Fair Values						
Debt(D)	863,800	232,100	506,882	338,600	722,900	
Preferred(P)	302,100	0	0	1,690	28,200	
Equity(E)	1,876,950	981,480	1,337,113	535,775	1,340,707	
Total	3,042,850	1,213,580	1,843,995	876,065	2,091,807	
Capital Structure Ratios						
Debt(D)	28.39%	19.13%	27.49%	38.65%	34.56%	29.64%
Preferred(P)	9.93%	0.00%	0.00%	0.19%	1.35%	2.29%
Equity(E)	61.68%	80.87%	72.51%	61.16%	64.09%	68.06%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	99.99%
Common Stock						
Issued	64,500.000	27,725.394	33,655.000	13,229.001	48,650.635	
Treasury	0.000	492.322	0.000	0.000	39.072	
Outstanding	64,500.000	27,233.072	33,655.000	13,229.001	48,611.563	
Year-End Price	$29.10	$36.04	$39.73	$40.50	$27.58	
ion at Carrying Amounts	14.656	15.384	18.725	22.523	16.832	
Debt(D)	807,800	222,800	462,000	314,100	637,100	
Preferred(P)	225,300	0	0	1,690	28,200	
Equity(E)	945,300	418,941	630,195	297,961	818,218	
Total	1,978,400	641,741	1,092,195	613,751	1,483,518	
Capital Structure Ratios						
Debt(D)	40.83%	34.72%	42.30%	51.18%	42.95%	42.40%
Preferred(P)	11.39%	0.00%	0.00%	0.28%	1.90%	2.71%
Equity(E)	47.78%	65.28%	57.70%	48.55%	55.15%	54.89%
Total	100.00%	100.00%	100.00%	100.01%	100.00%	100.00%

M&M	ku	=	ke	-	(((	ku	-	i	)	1-t	)	D	/	E	) - (	ku	-	d	)	P	/	E
	8.71%	=	9.57%	-	(((	8.71%	-	5.96%	)	0.65	)	29.64%	/	68.06%	) - (	8.71%	-	6.23%	)	2.29%	/	68.06%
	8.71%	=	9.57%	-	(((	2.75%			)	0.65	)	0.4355			) - (	2.48%			)	0.0336		
	8.71%	=	9.57%	-	((	1.79%					)	0.4355			) - (	2.48%			)	0.0336		
	8.71%	=	9.57%	-		0.78%									-	0.08%						

M&M	ke	=	ku	+	(((	ku	-	i	)	1-t	)	D	/	E	) + (	ku	-	d	)	P	/	E
	10.21%	=	8.71%	+	(((	8.71%	-	5.96%	)	0.65	)	42.40%	/	54.89%	) + (	8.71%	-	6.23%	)	2.71%	/	54.89%
	10.21%	=	8.71%	+	(((	2.75%			)	0.65	)	0.7725			) + (	2.48%			)	0.0494		
	10.21%	=	8.71%	+	((	1.79%					)	0.7725			) + (	2.48%			)	0.0494		
	10.21%	=	8.71%	+		1.38%									+	0.12%						

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FOURTEENTH SET OF INFORMATION REQUESTS FROM THE DTE
D. T. E. 05-27

Date: June 16, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-14-2 Refer to Company's responses to DTE 6-9 and DTE 6-10 dated June 1, 2005. Provide an update as to the status of the proposed postage increase.

Response: Please see Attachment DTE-14-2 from the Magazine Publishers of America website dated June 14, 2005 which provides a summary of the most recent status.

Postal Rate Case

On April 8th, the Postal Service filed with the independent Postal Rate Commission (PRC) a formal request for an increase in postal rates.

The Postal Service is seeking a 5.4 percent "across-the-board" increase for virtually all classes and categories of mail -- including magazines. The requested increase, if approved, would likely go into effect in January 2006. It would be the first increase in postal rates in 3 ½ years. Upon initial analysis of the filing by MPA experts, it appears that the technical "cost coverage" issues that might have been a barrier to magazines' participation in the 5.4 percent increase scenario are satisfactorily resolved in the documentation accompanying the filing. Ongoing initiatives to increase the cost efficiency of Periodicals mail (including a new 24-piece-per-sack rule that will take effect mid-year) are reflected in the filing.

Although no rate increase is welcome, MPA believes that the filing is a positive development. Several months ago, USPS was widely acknowledged to be preparing to seek a 2006 increase of at least 15 percent. Given that each 1 percent increase in Periodicals' postage costs the industry $20 million, the difference between a 15 percent increase and a 5.4 percent increase is readily apparent.

Much hard work by Postmaster General Jack Potter (to whom we are especially grateful) -- and by MPA and the magazine industry -- has made this possible. Much hard work remains to be done, however.

The filing triggers a 10 month, trial-type proceeding by the PRC to scrutinize the Postal Service's request (and the hundreds of pages of supporting documents). MPA and dozens of other interested parties will intervene, and will have the right to be heard. Although the Postal Service has announced its intention to seek a negotiated settlement of the case, the initial stages likely will unfold under normal procedures, with "discovery" of evidence (and, perhaps, hearings on some issues), while settlement discussions proceed on a separate track. MPA, of course, will be an active participant in all phases of the case.

The final outcome probably will not be known for some months. Simultaneously with the litigation of the case, work on Capitol Hill will continue on postal reform legislation. The outcome there could have a direct effect on the final outcome of the rate case -- especially if Congress acts to reduce the Postal Service's "CSRS" pension-related obligations (as proposed by both the House and Senate bills). The Postmaster General has said that, but for those obligations, he would not have to raise rates at all until 2007. While it is unlikely that those obligations will be totally eliminated, the possibility of at least some additional rate relief is a strong incentive for the entire mailing industry to continue its hard push for comprehensive postal reform legislation this year.

In the long run, the new 5.4 percent request appears to be indicative of a fundamental change in the Postal Service's pricing policy, as it moves away from its traditional pattern of very large increases every 2-3 years and toward a new practice of smaller, more predictable, periodic increases, perhaps every 12-18 months. The Postal Service has indicated it likely will seek another increase of 4 to 5 percent on average for mid-2007 (again, depending in part upon the outcome of "reform" efforts on Capitol Hill -- in addition to the CSRS-related provisions, the legislation under consideration would statutorily impose an inflation-based rate indexing system).

Please check the MPA Government Affairs website for future updates.

MPA Comments to President's Commission.pdf